

# A vision for urban growth and recovery



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# Executive summary

## **This report analyses the consequences of COVID-19 and for urban economies and sets out a new vision for urban growth and recovery**

Commissioned by the City Regions Board of the Local Government Association (LGA), this report is based on research conducted between November 2020 and January 2021. It draws on evidence, forecasts and interviews with urban councils to analyse the impacts of COVID-19, current economic challenges and opportunities, and sets out a new vision for urban growth and recovery.

## **Urban areas have been harder hit by COVID-19**

COVID-19 has impacted urban areas more acutely than non-urban areas. Cases in January were 40 per cent higher in urban areas. One in 20 urban residents have tested positive in 2020 (versus one in 30 non-urban). There have been 80,700 urban resident COVID-19-related deaths during 2020 – 66 per cent of the national total. Urban areas have higher risk factors for COVID-19, including lower health and a higher rate of pre-existing conditions, more at-risk jobs, higher public transport use, housing overcrowding, and larger Black, Asian and minority ethnic (BAME) populations.

## **The COVID-19 crisis has amplified existing challenges and created new ones – and there is the risk of an urban crisis in 2021**

**The renewal of our urban areas remains a work in progress and some urban areas remain significantly vulnerable to further economic changes.** Within urban areas, there remain many problems of poor productivity growth, poor earnings growth, inequalities, and housing need. Added to these are the challenges of climate change, accelerating digital transformation of the workplace, and the contraction in physical retail. Within the next six months, urban areas will also have to deal with the recession and economic restructuring that will result from COVID-19 and the transition to new trade and customs arrangements now the UK has left the EU. There are significant risks of unemployment and structural change in the economy ahead, as evidenced by the 5.4 million urban workers furloughed over the summer in 2020, claimant unemployed has more than doubled to total 2.6 million in November 2020 and the 4.6 million urban jobs that are in vulnerable or very vulnerable sectors. Cambridge Econometrics have forecast that job losses in urban areas could total half-a-million between 2019 and 2021. All of these changes will have different spatial impacts – between cities, and within urban areas, and will also increase inequalities.

# Five priorities for urban areas over the next five years

**There are five main priorities facing urban economies in England and Wales – restructuring, functioning places, inequalities, environmental sustainability and climate change, and resources.**

**1. Restructuring:** Cambridge Econometrics forecasts a loss of half a million jobs in urban areas due to COVID-19 and Brexit. There will be job losses in manufacturing, finance and insurance, hospitalities and leisure, retail and other services. Whilst we forecast some jobs recovery in ICT, scientific and professional, business services, hospitalities and leisure – there will be business closures, supply chain disruption, industry restructuring and increased unemployment. The impacts will be spatially uneven and will affect some communities more than others.

**2. The role of place:** it is forecast that 25 to 30 per cent of retail floorspace is surplus to market requirements. Fifteen thousand stores closed in 2020. The recovery in footfall during and between lockdowns has been strong in small, neighbourhood urban centres, but weak in city centres. There is uncertainty over the role of offices, particularly lower grade commercial space. House prices and affordability in urban areas continue to be a challenge, and have driven up overcrowding in urban areas which, in turn, has contributed to higher rates of COVID-19 infection and deaths.

**3. Inequalities:** residents in urban areas are more likely to be in lower-skilled jobs, with greater exposure to the virus, living in densely populated areas and in overcrowded housing, with lower rates of health. This makes urban areas more vulnerable to infections and deaths. Seven in 10 BAME employees work in lower paying, higher COVID-risk occupations. One in five new unemployment claimants are young (aged 16-25), and the risks of digital exclusion have become more apparent during lockdown. This has come on top of high levels of poverty evident before the COVID-19 pandemic, with 3.4 million households in urban areas in poverty in 2019, and BAME residents are twice as likely to be in poverty or unemployment. Inequalities were high in urban areas before COVID-19 and have worsened and deepened during the pandemic.

**4. Environmental sustainability and climate change:** reducing carbon emissions continues to present a major public policy and economic challenge. In 2021 the UK Government pledged to cut carbon emissions by 78 per cent compared to 1990 levels, after achieving a reduction of 51 per cent on these levels by 2020. Many councils wish to pursue comprehensive carbon reduction policies and actions, and previous research commissioned by the LGA estimated that this has the potential to sustain 694,000 jobs. The Committee for Climate Change believes around one per cent of GDP – national wealth – would need to be spent on shifting away from fossil fuels over the next 30 years. Urban areas are where the economic activities, population, housing, consumption and travel are concentrated, and they are major sources of carbon emissions – presenting major challenges ahead in terms of addressing climate change.

**5. Resourcing agile and integrated responses:** whilst urban councils have the agility, integrated solutions, and democratic legitimacy to lead recovery, they need the resources to do this effectively. Covid-19 placed exceptional financial pressure on the whole public sector, impacting on local service delivery by urban councils. While the Government has provided significant financial support to meet these pressures, they are likely to persist into the medium term, reducing the ability of urban councils to stimulate economic recovery, address inequalities and climate change. This is in addition to the LGA's estimate that councils need a further £2.5 billion a year to keep up with inflation and the future demand for services.

## A vision for urban recovery and growth

### **Urban areas and partnerships can provide the strategic and integrated solutions to economic recovery, growth, inclusion and sustainability that the UK needs**

**The national policies that affect urban areas are diverse and it is difficult to see how they enable joined-up solutions** to solve major challenges such as rising unemployment, inequalities and climate change. The Levelling Up funds have seven identified programme streams that are mostly concerned with infrastructure funding. Separately, the National Infrastructure Commission also deals with major infrastructure planning and requirements. In addition to the Levelling Up funds, six new growth deals were announced in the March 2021 budget. Housing policy adds another layer of complexity to the local policy environment - with the policies of the stamp duty freeze, Help to Buy, Housing Infrastructure Funds and the announced national review of land use planning. Enterprise and innovation policies, many of which are delivered regionally and locally - are promoted with a raft of national and local initiatives – from the British Business Bank to UKRI, and local growth hubs. Skills and labour market initiatives range from Kickstart, Skills Advisory Panels, Apprenticeships, and the Careers Enterprise Company to name a few. The Shared Prosperity Fund will further add to this panoply of strategies and funding sources, once details are announced. There has been a proliferation of uncoordinated national strategies, funding pots and delivery initiatives – in contrast to the integrated local plans and strategies that most of our urban areas have put in place.

### **The fragmented national policy context stands in contrast to the integrated, holistic policies that urban councils have in place, and are busy updating**

**In contrast to the fragmented national policy position, urban councils have holistic plans to deliver economic growth, sustainability and inclusion.** If we take Bristol City as an example – it has an integrated strategy, the 'One City' strategy of public, private, non-profit and community sectors combined that incorporates sustainable development goals. Two years ago, both Newham and Leeds had incorporated health and wellbeing with inclusion into their economic strategy. Greater Manchester has put labour market inclusion and progression at the heart of its new 'Our People, Our Place' economic strategy, launched in September 2020.



**Whilst urban councils have formulated joined up, integrated strategies – the means to deliver them are fragmented and partial.** As noted by the LGA in 2017/18, 250 different grants were provided to local government, half of which were worth £10 million or less and 82 per cent of grants were intended for a specific service area. One-third of grants were awarded on a competitive basis.

**COVID-19 has prompted urban councils to shift their priorities and aims for the next five to 10 years.** Urban councils are even more concerned with social and economic inequalities, and now see themselves as front line service providers for residents in need. Key to this is the provision of affordable housing, improved public and sustainable transport, education, skills and employment assistance, and addressing climate change.

**Over a 20-year period from the mid-1970s, an array of fragmented and multiple initiatives had given way to a more effective integrated urban programme by the mid-1990s**

**We have been in an era of multiple, short-term single-issue funds and grants before,** and policy experience has taught us that this isn't an effective long-term solution to urban challenges and opportunities. In the 1970s, in response to the impact deindustrialisation and economic restructuring was having on cities, the inner-city white paper put forward an integrated urban policy approach, which was never implemented. Instead, the 1980s witnessed many small-scale projects, particularly focusing on property regeneration that ignored local communities and local government, whilst major economic structural decline and the problems of high urban unemployment continued. It took 20 years to realise that integrated, long-term policy programmes and funding, with local and national government working in partnership were the solution to urban renewal and regeneration.

**Urban areas have a critical role to play in economic recovery and growth**

**Urban areas must be a central part of any strategy for national economic recovery.** They have a track record of GVA growth and generating jobs – contributing 80 per cent of new growth and three out of four new jobs between 2011 and 2019.

**Urban councils have proved their agility and ability to deliver, during the past year of the pandemic.** Councils distributed £11 billion to 880,000 small businesses during the first few months of the COVID-19 lockdown.

**If we carry on with the current range of policy solutions, we are likely to see partial and limited progress in stimulating economic recovery and addressing inequalities and climate change.** The current plethora of small initiatives, that are competitive, usually for a prescribed use, and funded over short time-horizons – do not provide a basis for a sustainable recovery that is inclusive and addresses climate change. What is needed is an integrated programme that encourages local government, national government, the private sector and communities to work in partnership.

## **Our vision is for an integrated programme that delivers recovery and growth that creates successful places in an inclusive and sustainable manner**

**Our vision for is for urban recovery and growth that delivers:**

- **successful economic restructuring** that mitigates against the worst impacts of structural unemployment and job loss
- **successful and relevant urban centres** that meet the current and future needs of residents, businesses and workers
- **a step-change improvement in inequalities and ensures that communities benefit**
- **sustainable solutions** that make significant progress towards carbon emissions reductions
- **the agility and capacity to respond to further challenges and opportunities as they emerge** as we continue to discover the economic implications of COVID-19 and Brexit over the next few years.

**Led by urban councils** working **in partnership with** national government, the private sector and communities, in large-scale, funded programmes that deliver integrated place-based solutions.

## **A Sustainable Urban Futures Fund could provide long-term, large-scale funding for integrated urban recovery programmes**

**We propose a policy vehicle – The Sustainable Urban Futures Fund – which could provide long-term, large scale funding for integrated urban programmes.**

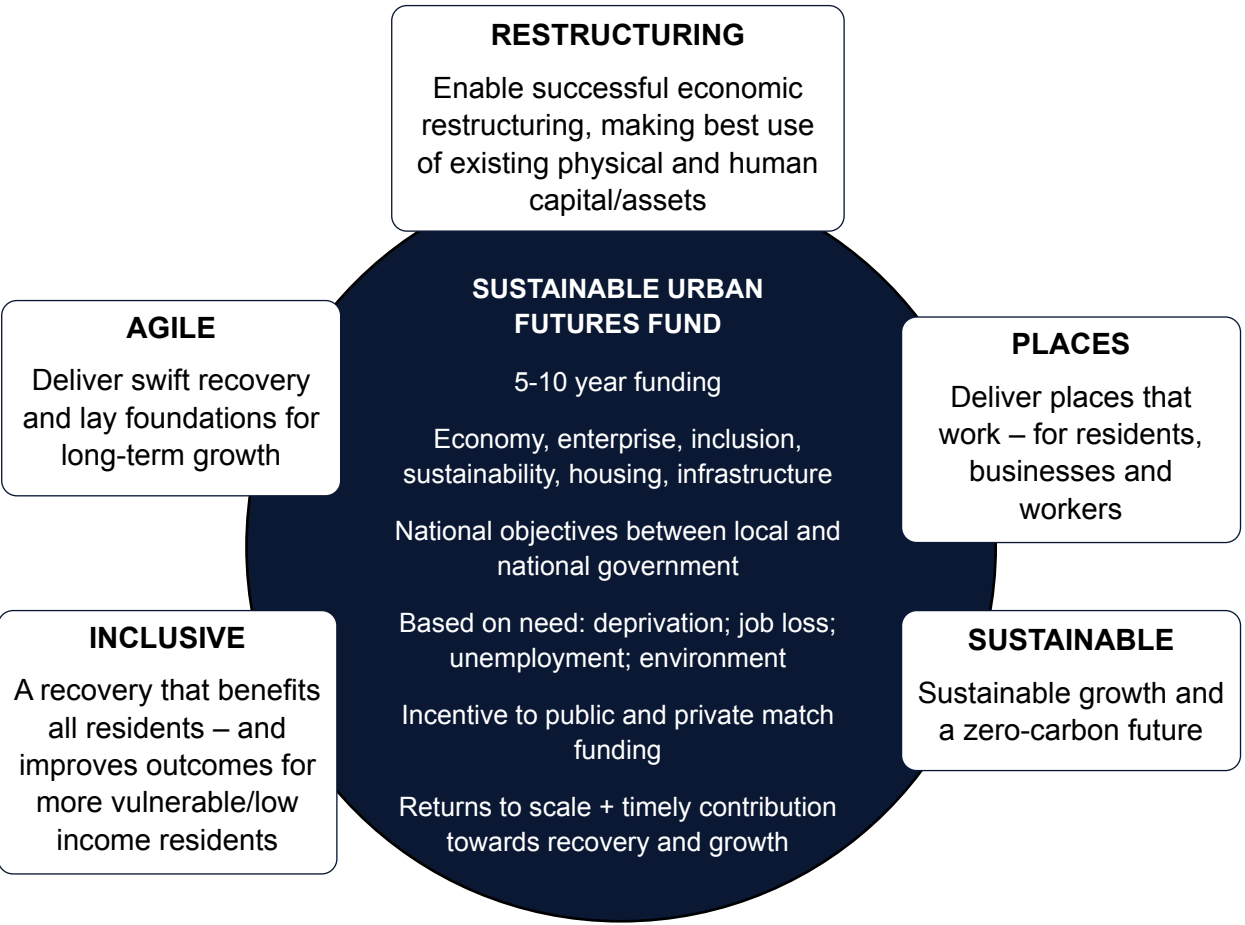
The proposal is for a £7 billion, 10-year funding programme for 50 urban areas, scaleable to each locality (with award values ranging from £25 million to £500 million in total for each area), in a single pot for use on the priorities facing the urban area (whether economy, inclusion, sustainability, housing or infrastructure). It could be allocated to combined authorities, urban councils and/or local enterprise partnerships (LEPs) on a competitive basis. It could incorporate funds and priorities set out in the Build Back Better plan for growth, and other initiatives such as the Future High Streets Fund, Towns Fund, and Levelling Up Fund.

**An integrated large-scale fund would attract much higher levels of public and private match funding, with the potential to increase the overall spend to £31.9 billion.** If the same formula for match funding as that achieved by the **Single Regeneration Budget** between 1995/96 to 2000/01 is applied, where £5.7 billion of funding secured £20.3 billion in match funding – we could see the £7 billion Sustainable Urban Futures Fund Generating £24.9 billion in match funding – resulting in a total expenditure of £31.9 billion in England and Wales's urban areas over the next 10 years. This would make a serious impact on economic growth and recovery.

**National objectives could be set between central and local government. Awards would be based on need.** This would be in addition to, and differentiate from existing combined authority funding, allocated as a flexible fund designed for place-based integrated programmes to promote sustainable economic growth and recovery after the pandemic. Unlike existing fragmented funding sources, including combined authority funding, the Sustainable Urban Futures Fund would be a unified funding pot that can be increased as need arises with the emphasis on providing resource at scale with flexibility to address local needs. This long-term fund would lead to economies of scope and scale, achieve much higher impacts, gaining more private sector leverage and buy-in than small individual grant schemes.

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**Figure A: The Sustainable Urban Futures Fund**



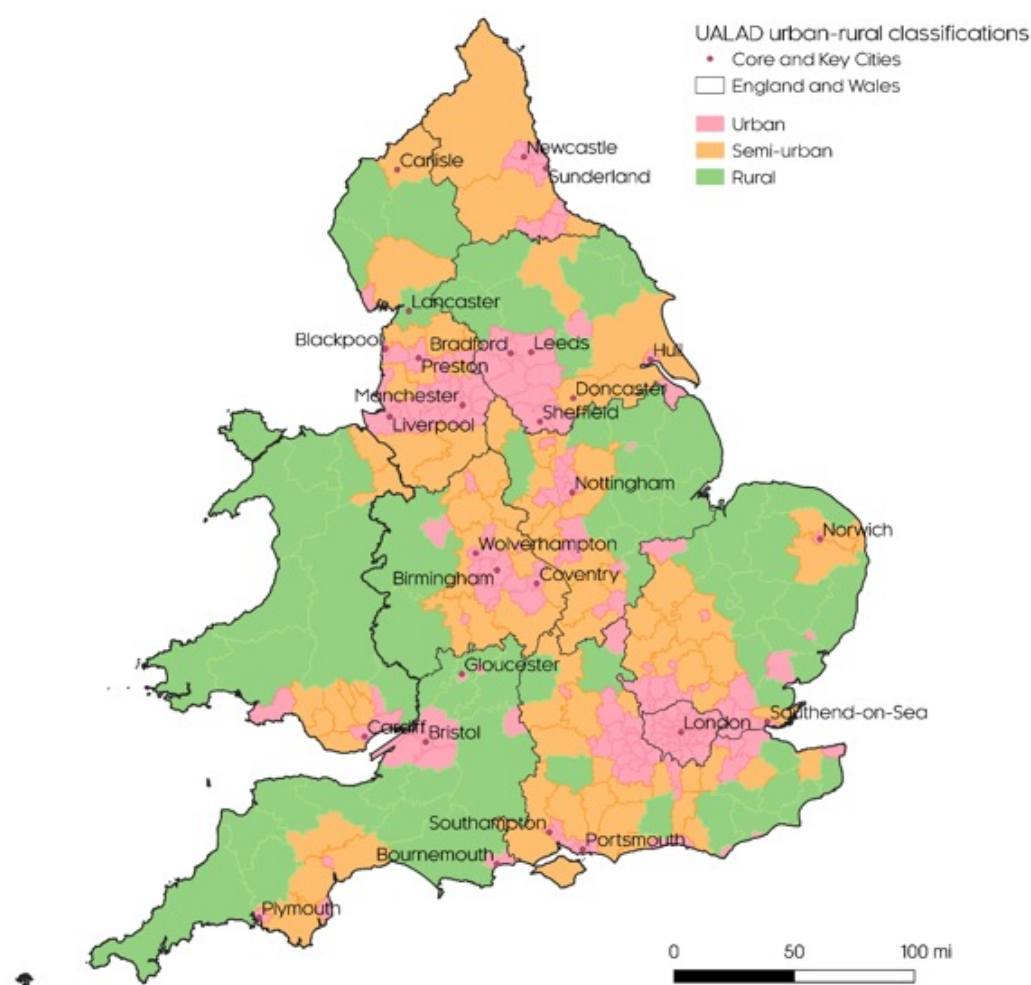
# 1. Urban areas and COVID-19

## About this report

### This report provides analysis of the impact of COVID-19 on urban economies in England and Wales

Commissioned by the City Regions Board of the Local Government Association (LGA), this report is based on research conducted between November 2020 and January 2021. It draws on evidence, forecasts and interviews with urban councils to analyse the impacts of COVID-19, current economic challenges and opportunities, and sets out a new vision for urban growth and recovery. For the purpose of this analysis, we devised a system of urban-rural categorisation (Figure 1) that more accurately reflects the combination of factors that define a district's role within its local economic geography. In particular we were careful to classify districts that had aspects of both urban and rural areas; we designated a 'semi-urban' category to capture these. This analysis builds on previous analysis into the current economic geography of the UK carried out by Cambridge Econometrics and collaborators.

**Figure 1: Classification of urban, semi-urban and rural council areas**



Source: Cambridge Econometrics, University of Sheffield.

**“Local COVID-19 impacts have included business losses and failures. Food hardship has increased significantly, as have concerns about mental health”**

Urban council, North West of England

The urban categorisation system is detailed as follows:

Employment Density	Other considerations	Outcome
Greater than median	None	Urban
Less than median	Overlaps with large urban area <sup>1</sup> OR >50 per cent commuting zone <sup>2</sup> for large urban area	Semi-urban
Less than median	Does not overlap with large urban area AND <50 per cent commuting zone for large urban area	Rural

**COVID-19 cases in urban areas were running 40 per cent higher than non-urban areas in January 2021**

## The impact of COVID-19 on urban areas

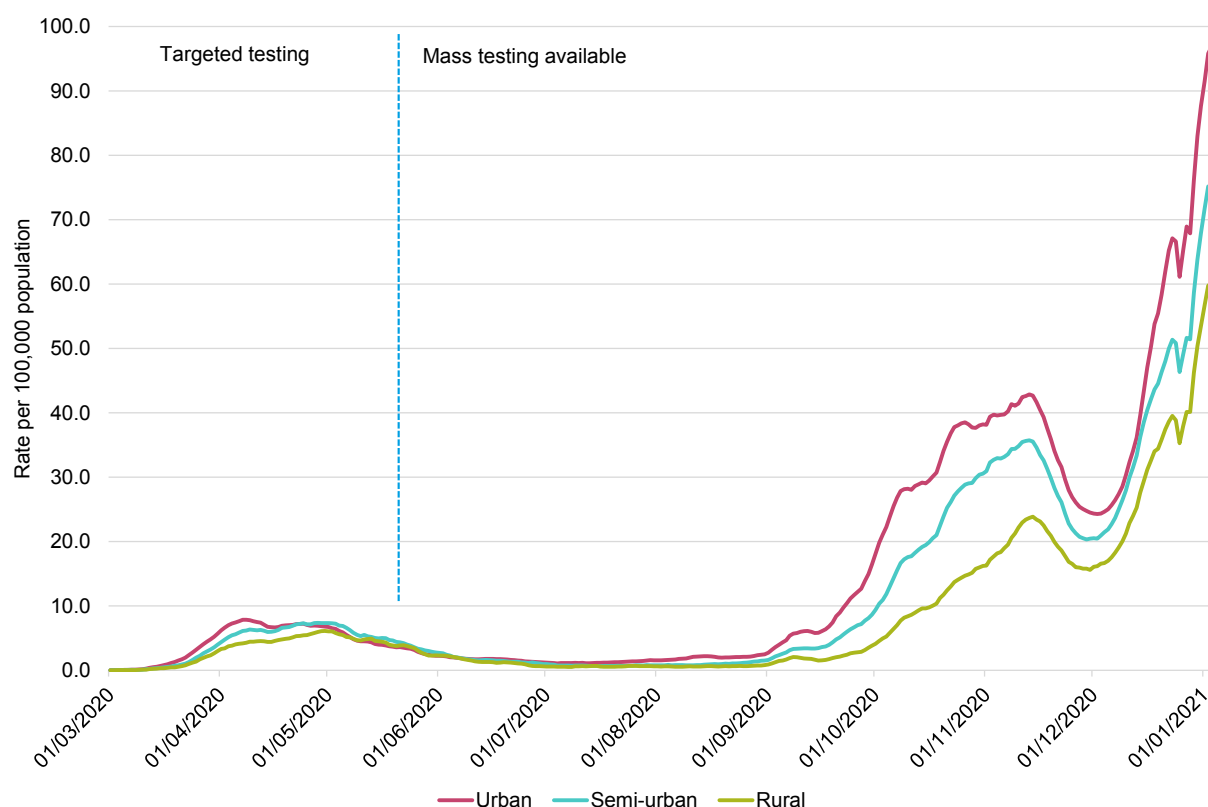
### Urban areas have been harder hit by COVID-19

Within England and Wales, COVID-19 infection rates have been much higher in urban areas. As Figure 2 shows, January 2021 cases were running 40 per cent higher than non-urban areas, whilst urban areas have also seen a much sharper acceleration during the virus's second wave. There has been a positive COVID-19 test for one-in-twenty urban residents, compared to one-in-thirty in non-urban areas. Throughout 2020, 66 per cent of all COVID-related deaths and 64 per cent of total excess deaths were recorded in urban areas. This compares to the five years previous, where urban areas typically accounted for 58 per cent of total deaths (regardless of cause). In total, an estimated 80,700 urban residents have died of COVID-related causes during 2020.

1 We define a large urban area to be any contiguous area of employment density greater than 100 jobs per square km and greater than 100,000 jobs in total

2 We define a commuting zone of a large urban area to be the spatial area within which 25 per cent of the employed resident population commute into the large urban area for employment

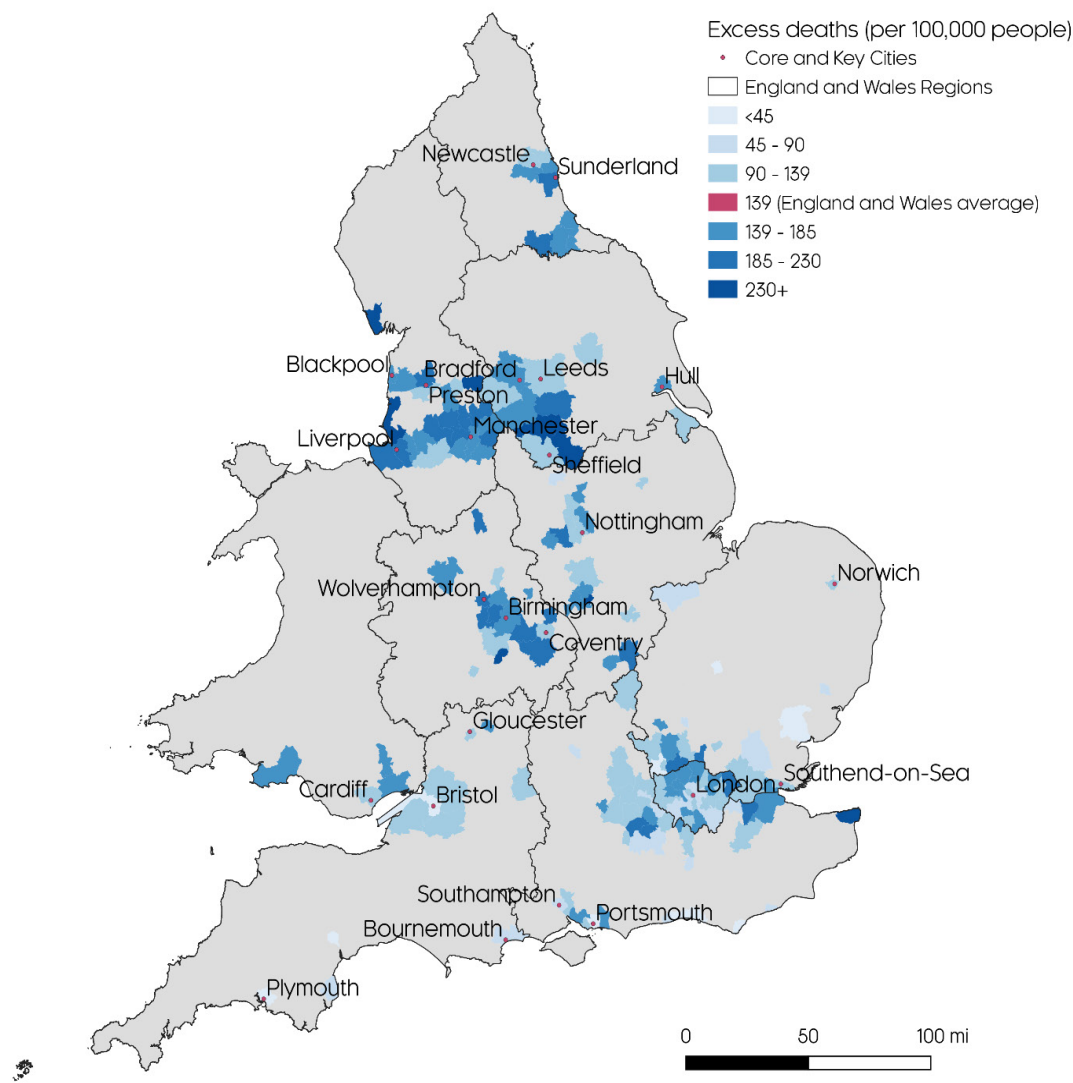
**Figure 2: COVID-19 infection rates per 100,000 population**



**Source: HM Government, Cambridge Econometrics.**  
**Note: data is 7-day rolling average, by specimen date.**

As show in Figure 3, there is significant variation in the rate of COVID-19 deaths between urban areas. Excess deaths occurred at over double the rate of the national average in Sefton, Merseyside (283.0 excess deaths per 100,000 residents compared to 138.5 for England). Rotherham (266.7 excess deaths per 100,000 residents), Oadby and Wigston (258.5), Barnsley (257.5) and Burnley (250.3) were also in the highest five urban council areas for excess deaths. This contrasts with the lowest excess death rates occurring in Cambridge (-9.8), Portsmouth (6.9) and Exeter (14.5).

**Figure 3: Excess deaths per 100,000 residents in 2020 for urban areas in England and Wales**



Source: ONS, Cambridge Econometrics.

Furlough and relief schemes have prevented much higher rates of job loss and unemployment

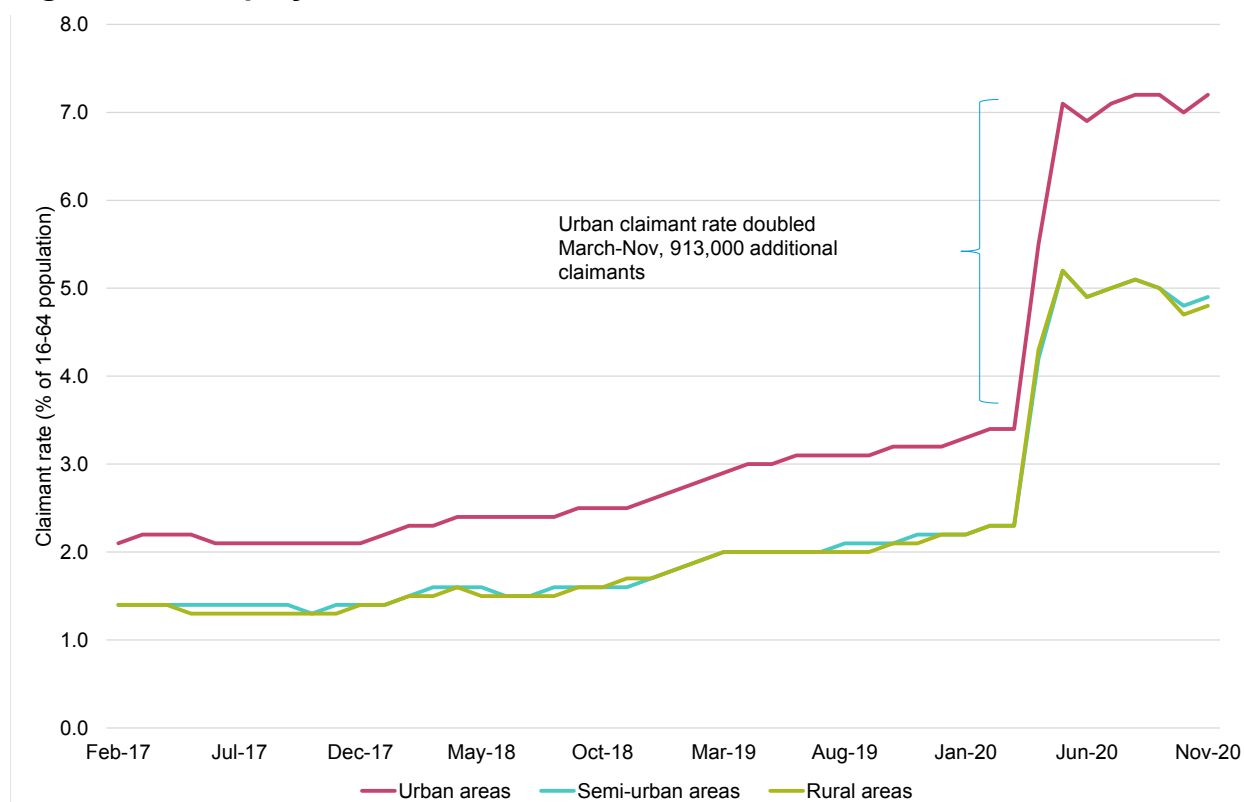


## The national and local impacts of COVID-19 have been significant

As we come out of the third national lockdown for England in March 2021, the immediate and long-term impacts of COVID-19 are significant. UK GDP in November 2020 fell to 8.5 per cent below the levels seen in February 2020. Nationally, payroll employees fell by 819,000 between February and November 2020. The unemployment rate increased to 4.9 per cent in November 2020, 1.2 per cent higher than a year earlier. Claimant unemployment rose from 1.26 million in February 2020 to 2.63 million in November 2020 – an increase of 110 per cent. The claimant count rate (as a share of the working-age population) increased from 3.0 per cent to 6.3 per cent over the same timescale.

Furlough and relief schemes have prevented much higher rates of job loss and unemployment. Employment furloughs peaked at 8.9 million employments in May – representing one-quarter of all workforce jobs. Forecasts produced by Cambridge Econometrics (that have taken into account the impacts of COVID-19 to date and are configured on the basis of the trade deal proposed in the 2019 General Election) suggest that there will be a loss of one million jobs in the UK between 2019 and 2021. In contrast, the Office for Budget Responsibility has forecast a loss of two million jobs. We can conclude that the scale of job loss will be high, and there will be significant implications for urban areas, where the bulk of job losses will be concentrated.

**Figure 4: Unemployment claimant rate, 2017-20**



Source: ONS, Cambridge Econometrics.

Claimant unemployment has more than doubled and there could be between one and two million jobs lost by the end of 2021



## **If this recession is like previous ones, recovery will take between five and 10 years**

When we compare the current crisis to previous recessions, during the 1980s recession (March 1980 until March 1983) there was a loss of 2 million jobs (7.3 per cent), compared to a loss of 2 million jobs (6.7 per cent) in the 1990s recession, and a loss of 880,000 (2.7 per cent) in the 2009 recession. In past recessions, unemployment has tended to take up to four years from the onset of recession to reach its peak. It took six years to recover lost employment from the 1980s recession; and nine years to recover employment lost in the 1990s recession. Even though the 2009 recession had a relatively smaller impact on jobs, it still took five years to recover the lost jobs.

**Unemployment could continue rising for four years, and recovery could take up to 10 years**

## **Urban areas have suffered a major loss of GVA and jobs in 2020**

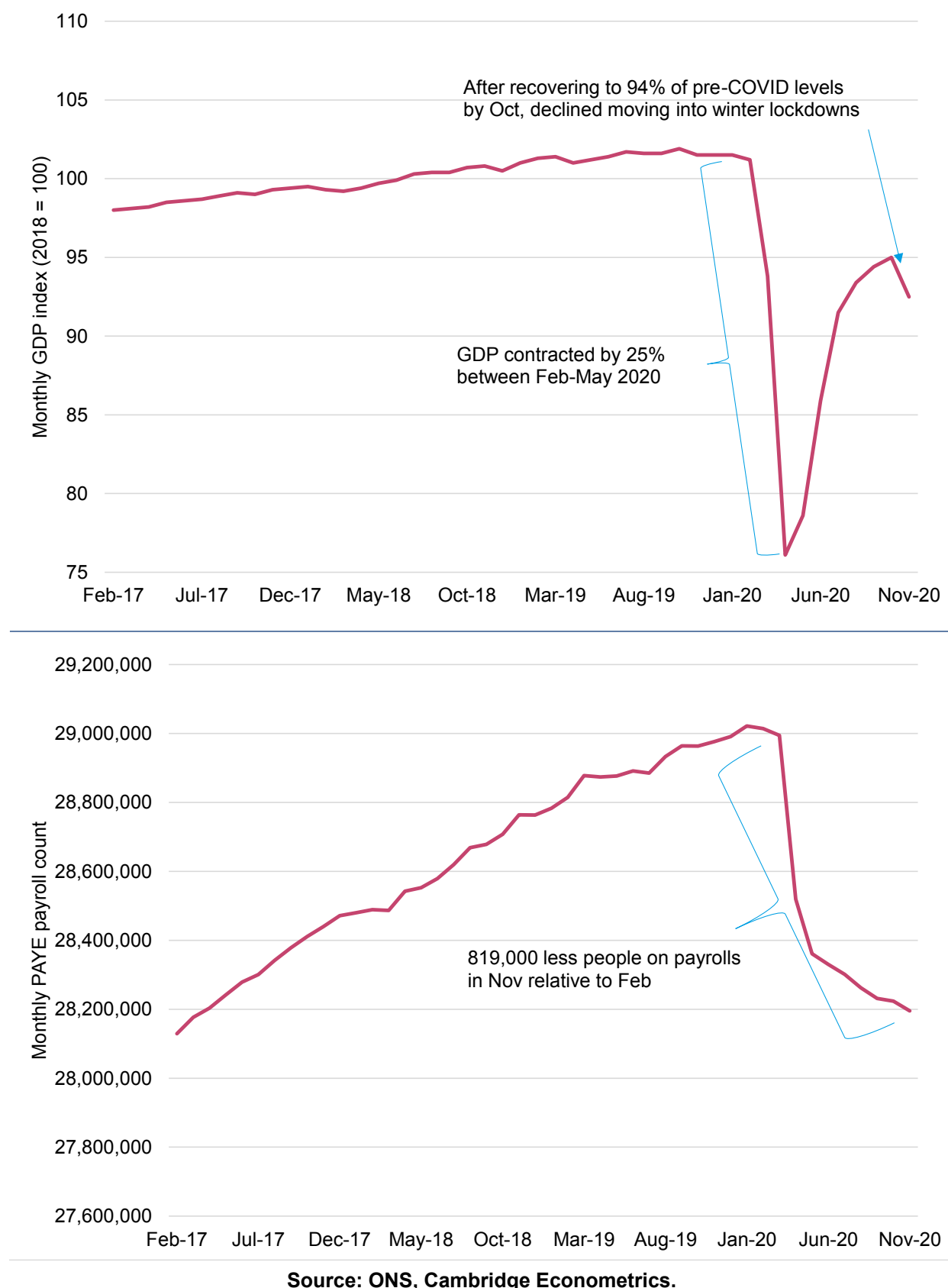
In the UK, output (GDP) and employment have decreased sharply throughout 2020 in UK – with GDP initially contracting by 25 per cent from its peak, and payroll numbers falling by 819,000 – as illustrated in Figure 5.

GVA in urban areas in England and Wales is projected to drop by 9 per cent in 2020, with a fall of 10.7 per cent in semi-urban, and 11 per cent in rural areas. Although employment is not projected to decline as steeply as GVA, employment loss is likely to continue in 2021. According to Cambridge Econometrics forecasts, the number of jobs in urban areas will fall by 2.3 per cent (totalling 488,000) over the period 2019-21, relative to a 3 per cent reduction in semi-urban areas and a 3.3 per cent drop in rural areas.

Whilst in percentage terms, urban areas may appear more likely to be more resilient to job loss – they will account for 60.4 per cent of the total job losses for England and Wales. The transformational challenges from economic restructuring are likely to be far more acute than rural areas. For example – in 2019, urban areas employed 63.8 per cent of total jobs in accommodation and food in England and Wales and are forecast to lose 290,000 jobs in this sector between 2019 and 2021. 56.4 per cent of total jobs in manufacturing in England and Wales were in urban areas in 2019, and job losses of 102,500 are expected.

As discussed further in this chapter – there are significant risks of unemployment and structural change in the economy ahead, as 5.4 million urban workers were furloughed over the summer in 2020, claimant unemployed climbed to 2.6 million in November 2020 and 4.6 million urban jobs in vulnerable or very vulnerable sectors.

**Figure 5: Monthly GDP and payroll numbers in the UK, 2017-21**

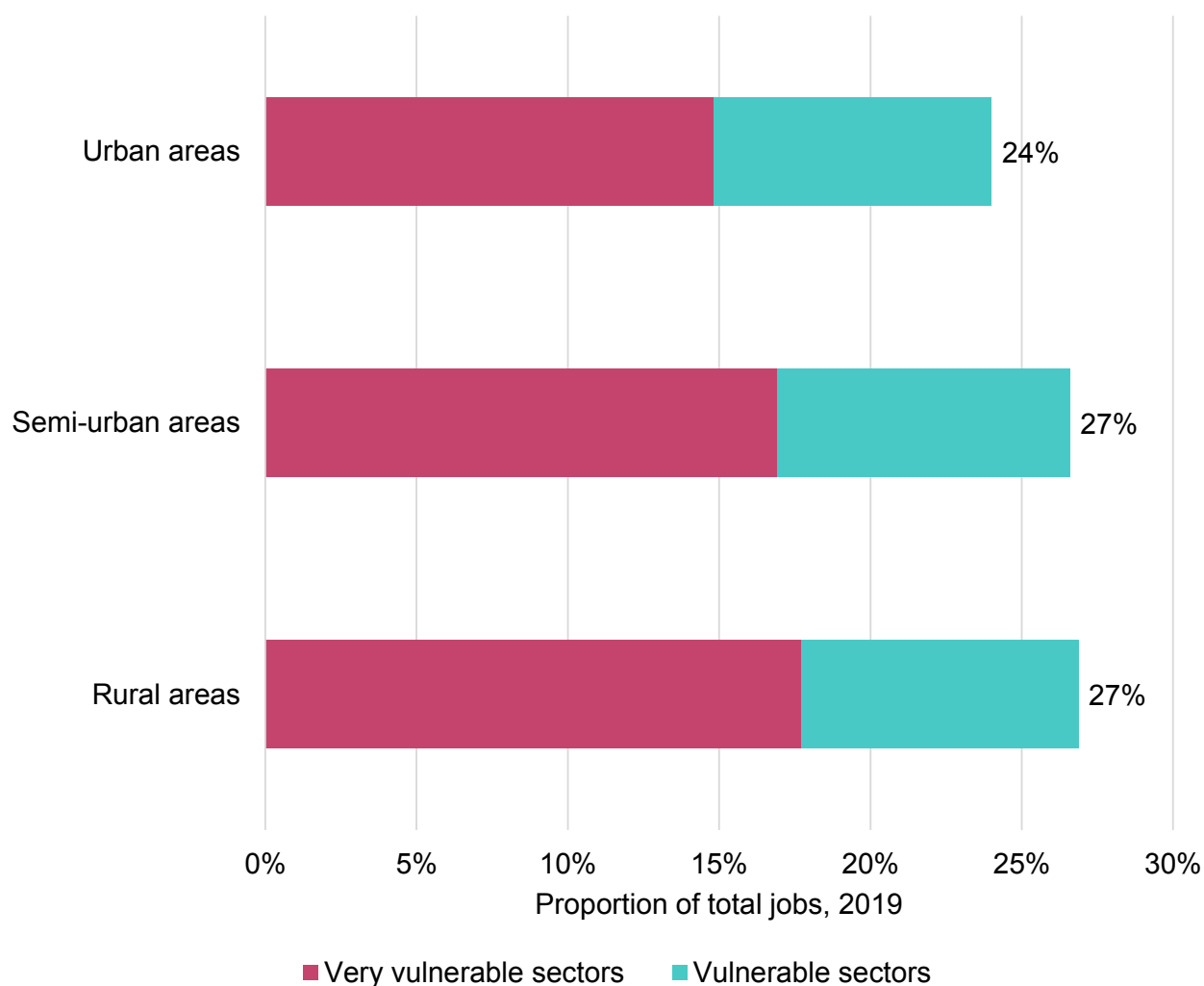


Urban job losses in England and Wales are expected to approach half a million

## Although urban areas have a slightly lower share of vulnerable jobs – the scale and number are staggering

Drawing on analysis by the Centre for Cities, Figure 6 suggests urban areas have a much lower share of jobs in ‘vulnerable’ and ‘very vulnerable’ sectors – such as accommodation, food, leisure and retail. However, given the scale of urban economies – these may add up to 350,000 job losses between 2019 and 2021. Alongside this, urban areas as a whole are overrepresented with unaffected or higher demand activities, including health, medicine, and IT services.

**Figure 6: Proportion of jobs in ‘vulnerable’ and ‘very vulnerable sectors’, 2019**



Source: Centre for Cities, ONS, Cambridge Econometrics.

Five sectors bear the brunt of contraction: accommodation and food; manufacturing; education; transport and storage; and construction

## The pandemic has prompted industry restructuring, and accelerated the pace of change in some sectors

Cambridge Econometrics forecasts (Figure 7) shows that the distribution of impacts will be sectorally uneven, with five sectors accounting for almost two-thirds of the £99.5 billion loss in urban GVA: accommodation and food; manufacturing; education; transport and storage; and construction. Knowledge intensive business services (KIBS) are expected to see a smaller proportionate drop, while GVA in some essential sectors (health and social work) are projected to increase.

Between 2019 and 2021, job losses in urban areas are projected to total 488,000. As Figure 8 shows, with job losses approaching 300,000, accommodation and food is expected to be the hardest hit sector short-term, whilst education and manufacturing could both lose more than 100,000 jobs. These sharp declines will be slightly offset by growth in the health and social workforce, where over 300,000 jobs have been added, many to help manage the pandemic.

The performance of the urban KIBS sector is expected to be varied, with comparatively small losses in professional, scientific and technical and information and communication, whilst financial and insurance could shed more than 70,000 jobs, compounded by both the pandemic and Brexit headwinds.

As will be further discussed, the sectors most at risk of jobs loss have tended to disproportionately affect lower-paid residents, younger people, women and workers from BAME groups.

**Figure 7: Forecast change in urban GVA by sector, 2019/2020**

<b>GVA BY SECTOR</b>	<b>Change: £ billions (2016 values)</b>	<b>Per cent change</b>
1 Agriculture, extraction and utilities	-2.9	-9%
2 Manufacturing	-11.1	-12%
3 Construction	-9.9	-14%
4 Wholesale trade	-8.2	-13%
5 Retail trade	-3.1	-5%
6 Transport and storage	-10.2	-20%
7 Accommodation and food	-12.4	-40%
8 Information and communication	-8.3	-8%
9 Financial and insurance	-6.5	-6%
10 Real estate	-2.5	-5%
11 Professional, scientific and technical	-7.9	-7%
12 Business support	-8.8	-12%
13 Public administration and defence	2.1	4%
14 Education	-10.4	-15%
15 Health and social work	5.6	6%
16 Arts, entertainment and recreation	-3.2	-15%
17 Other services	-1.8	-8%
<b>Total</b>	<b>-99.5</b>	<b>-9%</b>

Source: ONS, Cambridge Econometrics.

**The most resilient sectors for jobs are projected to be knowledge-based services**

**Figure 8: Forecast change in urban employment by sector, 2019/21**

EMPLOYMENT BY SECTOR	Change: thousand jobs	Per cent change
1 Agriculture, extraction and utilities	-11.5	-4%
2 Manufacturing	-102.5	-8%
3 Construction	1.9	0%
4 Wholesale trade	-23.6	-2%
5 Retail trade	-42.4	-2%
6 Transport and storage	-45.2	-4%
7 Accommodation and food	-290.1	-20%
8 Information and communication	71.1	7%
9 Financial and insurance	-72.3	-9%
10 Real estate	-13.4	-4%
11 Professional, scientific and technical	-12.5	-1%
12 Business support	-4.3	0%
13 Public administration and defence	-40.0	-4%
14 Education	-176.9	-10%
15 Health and social work	302.9	11%
16 Arts, entertainment and recreation	-15.7	-3%
17 Other services	-13.7	-2%
<b>Total</b>	<b>-488.1</b>	<b>-2%</b>

Source: ONS, Cambridge Econometrics.

“The challenges we faced prior to COVID-19 were concerned with creating employment opportunities, inequalities, and a declining working-age population in our area... There is a 10-year gap in life expectancy between our wealthiest and least wealthy wards”

Urban council, North West of England

# COVID-19 has deepened and increased inequalities in urban areas

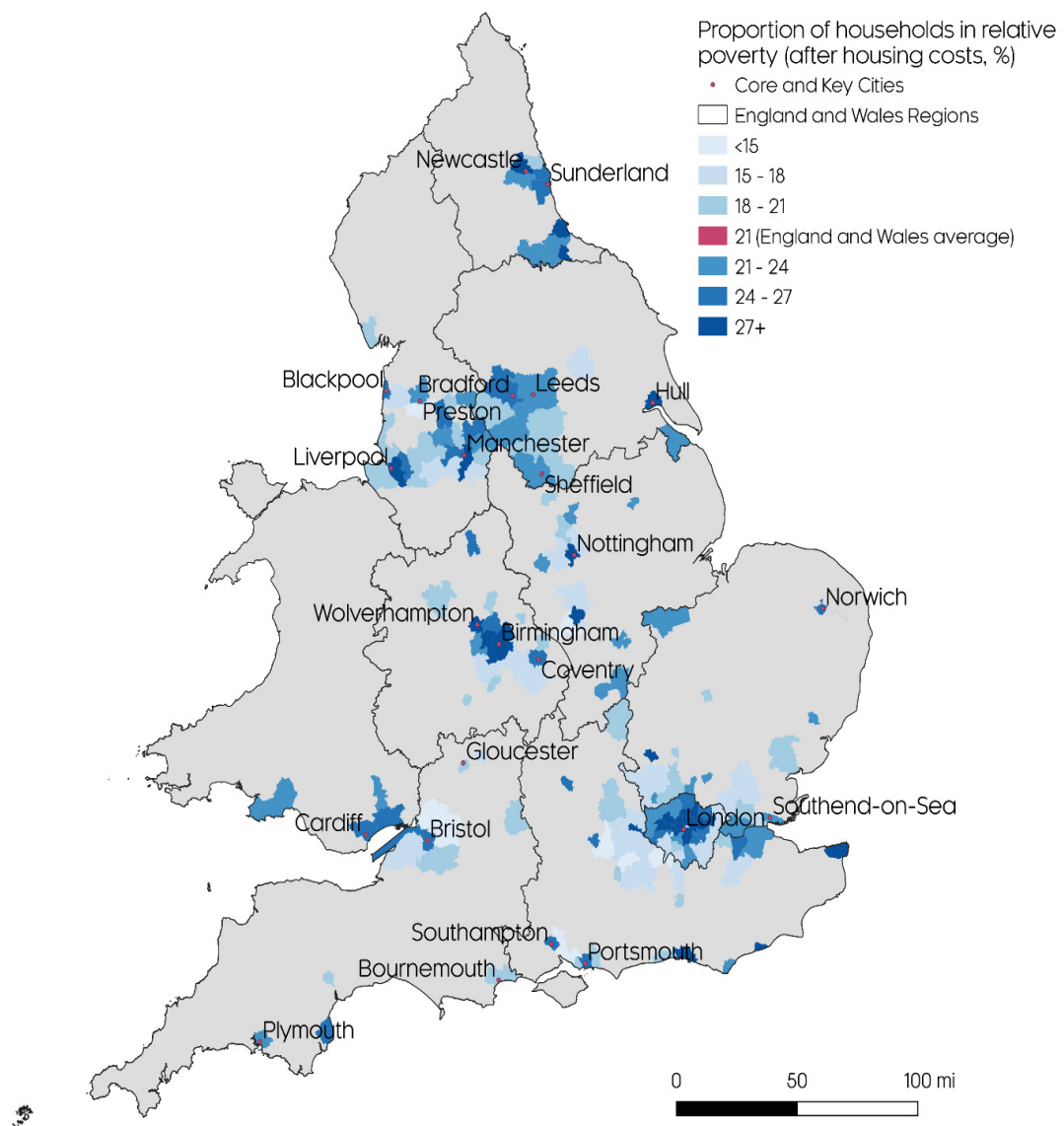
## Existing inequalities found in urban areas have directly contributed to higher COVID-19 infections and deaths

Prior to COVID-19, for many urban councils, inequalities were a major concern. Seven in 10 households in poverty are found in urban areas, equating to 3.4 million households in urban areas. Children are now twice as likely to be in poverty than pensioners. One in five urban residents – typically low-earners - have become overburdened by housing costs (where total housing costs represent more than 40 per cent of disposable income), which is the sixth highest rate in Europe. Urban residents from ethnic minority backgrounds, those with disabilities, the young, and the unskilled are all disproportionately less likely to be in employment both relative to the average, and compared with non-urban comparators. Alongside this, many of these groups, once entering work, are more likely to be in lower-paid, more unstable forms of employment.

Inequalities have actively increased and concentrated the risks introduced by COVID-19. Prior to the pandemic, those suffering from lower incomes and deprivation in urban areas also subsequently faced conditions, which were to become higher risk factors for contracting COVID-19 - including worse housing conditions, housing overcrowding, a higher incidence of use of public transport, higher shares of at-risk occupations, and larger Black, Asian and minority ethnic populations.

Poverty is a significant feature of urban areas in England and Wales, as demonstrated by the map in Figure 9. Compared to the national average relative poverty rate (after housing costs) of 21.3 per cent of Tower Hamlets (the highest rate of poverty amongst urban councils) has almost doubled, with 38.4 per cent of households in relative poverty. Similarly high rates are found in the London Boroughs of Newham (36.9 per cent), Hackney (36.3 per cent), Islington (33.6 per cent), Brent (33.1 per cent), Camden (32.2 per cent), and Southwark (30.8 per cent). High rates of poverty are also found in Leicester (32.9 per cent of households in poverty), Manchester (32.4 per cent), Nottingham (31.0 per cent) and Middlesbrough (31.0 per cent). By contrast, the share of households in poverty is low in Wokingham (13.2 per cent), South Gloucestershire (15.0 per cent) and York (15.3 per cent).

**Figure 9: Household poverty rate (relative, after housing costs), in urban authority areas in 2014**



**Source: ONS, Cambridge Econometrics.**



**Figure 10: Key indicators of a healthy life expectancy, 2017**

HEALTH INDICATOR	Urban areas	Non-urban areas
Smoking prevalence (proportion of adults 18+)	18.0%	16.0%
Proportion of adults (16+) defined as obese	24.2%	25.8%
Alcohol-related admissions (per 100,000 people)	673.5	624.6
Physically active adults (16+)	55.6%	58.7%
Proportion of adults (16+) eating 5-a day	48.9%	55.8%
<b>Preventable Mortality deaths (per 100,000 people)</b>	<b>205.0</b>	<b>175.0</b>

**Source: ONS, Cambridge Econometrics. Note: excludes Wales.**

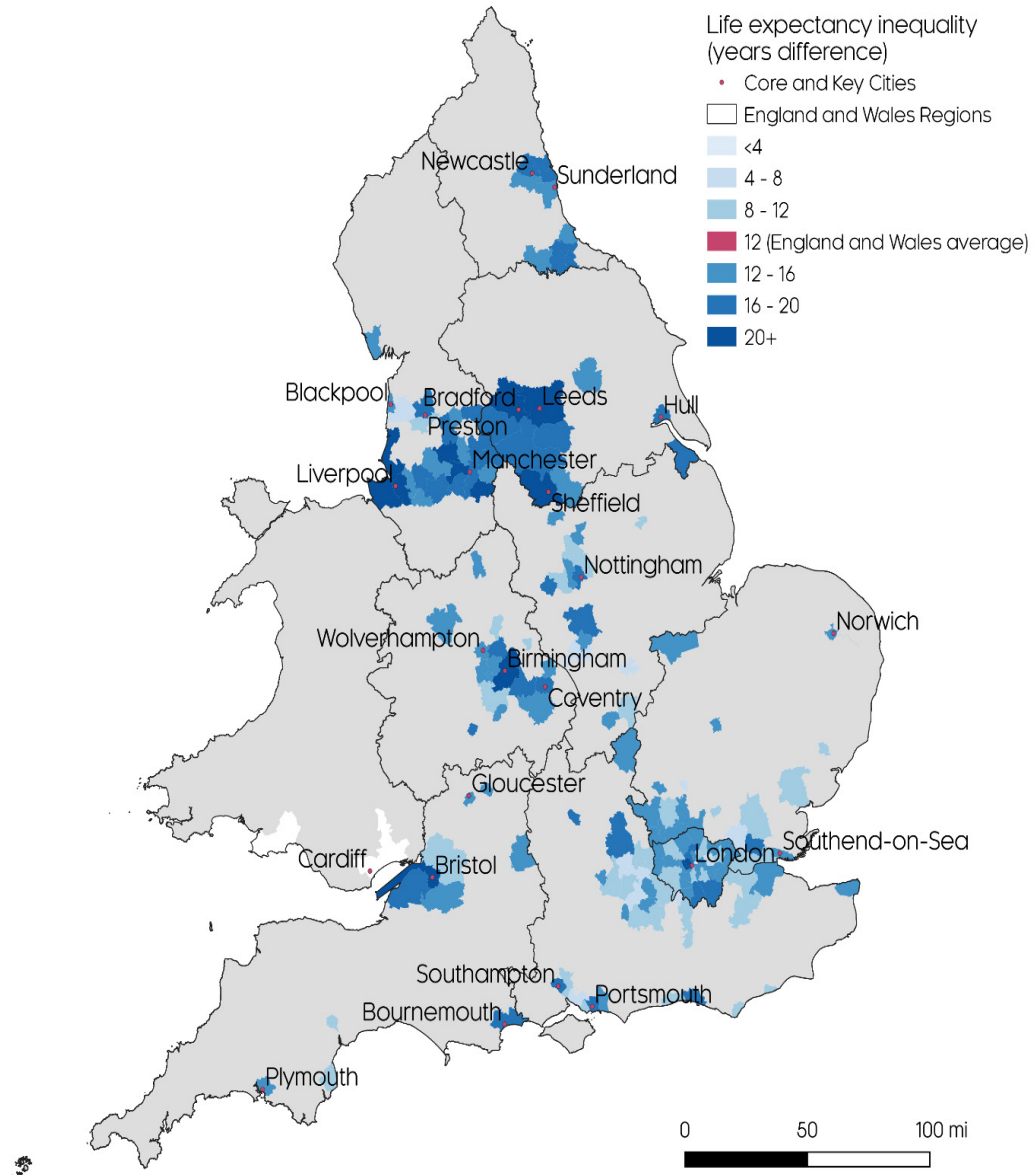
Figure 10 shows that urban areas in England performed poorly across key indicators of a healthy lifestyle, and wider characteristics linked to life expectancy. These health problems have contributed to high and increasing levels of age and health related worklessness, which contribute to up to half of all cases of economic inactivity in urban areas. In addition, urban areas have higher levels of substandard living conditions, such as overcrowding and poor-quality homes.

Analysis by council, as presented on the map in Figure 11 reveals the health inequalities within each council area. Wirral has the greatest difference between neighbourhoods – with the lowest life expectancy of 49.0 years compared to the highest life expectancy of 74.2 years – demonstrating a 25.2-year gap in life expectancy between wealthy and deprived neighbourhoods. Westminster has the second highest difference, recording the lowest neighbourhood life expectancy of 53.8 years, compared to the highest of 78.7 years – a gap of 24.9 years. By contrast, urban councils such as Blaby and Newham had lower gaps in life expectancy amongst neighbourhoods. However, in the case of Newham, this was due to low rates life expectancy across all neighbourhoods – the highest 60.8 years, and the lowest 55.0 years. Blaby recorded higher life expectancies, with the highest neighbourhood recording 69.6 years and the lowest neighbourhood recording 64.7 years.

Alongside this are the significantly higher rates of public transport use in urban areas, which has also been closely linked to virus transmission. Urban workers are almost six times more likely to use public transport than non-urban workers. Lower-income and BAME workers are more likely to rely on such forms of transport, whilst many will have continued travelling during the pandemic for essential work.

Low income and BAME groups are more likely to work in occupations where the risk of virus transmission is higher, such as health and care, transport, and education, which are also overrepresented in urban areas.

**Figure 11: Difference in life expectancy between the wealthiest and poorest neighbourhoods in urban authorities in England, 2014**



Source: ONS, Cambridge Econometrics. Note: Data excludes Wales.

## **The economic impacts of COVID-19 have further increased inequalities and concentrations of disadvantage**

The Institute for Fiscal Studies Deaton Review reported that COVID-19 has cruelly exposed huge variations in resilience to threats to livelihoods, education progress, physical and mental health. The review also reported that the disparities caused by COVID-19 are closely correlated with pre-existing inequalities between groups. This is concerning, as the Joseph Rowntree Commission noted in its 2019 findings, that destitution in the UK was increasing. Inequalities are a feature of urban areas and will be a significant challenge in future.

**“Existing economic, social challenges and inequalities have been brutally exposed by COVID-19 and by the responses”**

Urban council, Yorkshire

Analysis by the ONS shows low earners are also over-represented in occupations that have a high risk of exposure to disease. Of the 10.5 million workers in above average risk occupations – from dental nurses and pharmaceutical technicians, to receptionists and waiting staff – 70 per cent earn below the average. Almost seven in 10 of such high-risk jobs are located in urban areas. Additionally, many of these occupations have been categorised as ‘key workers’ that also limits remote working opportunities. Fewer than one in 10 low earners say they have had the option to work from home during the lockdown. This increases the likelihood of low earners having to take time off sick or to self-isolate, typically without pay or support.

## **COVID 19 has impacted young workers, Black, Asian and ethnic minority workers, and women hardest**

Early on in the COVID-19 crisis, it was evident that the sectors that were shut down during the first lockdown, hit young workers the hardest – as they were about two and a half times as likely to work in a sector that is now shut down compared to other employees.

Women were more likely to work in a sector that was shut down than men, make up the majority of ‘key workers’, and have been at greater risk of exposure to the virus. Key workers are often relatively lowly paid. Parents are more likely to be key workers than non-parents.

Low earners were 2.4 times more likely to work in shutdown sectors. The typical pay for workers in shutdown sectors less than half (£348 per week) those that can work from home (£707 per week).

**“Prior to COVID-19, we were suffering from stark inequalities in terms of poverty and child poverty, and concentrations and wealth alongside concentrations of deprivation.”**

London borough

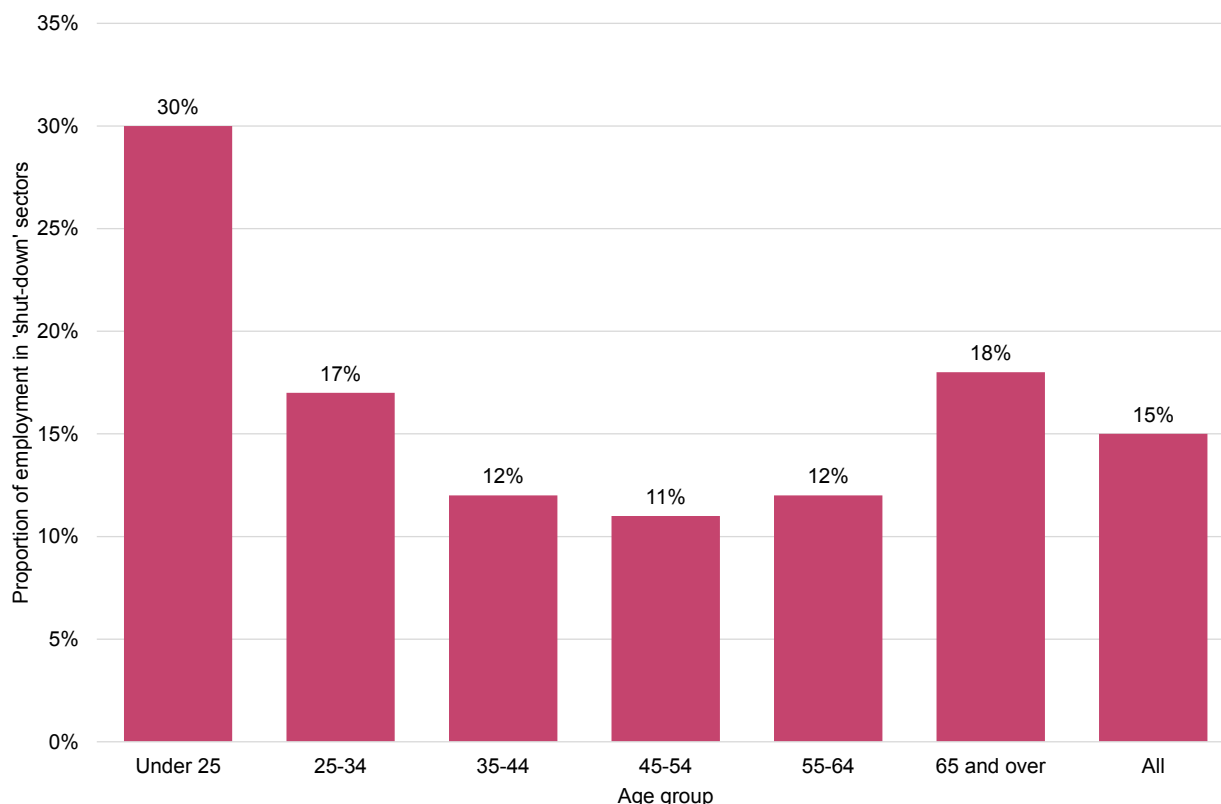
Impacts on employment and unemployment have been acute in urban areas. Nationally, the incidence of furloughed employments in urban areas peaked at 5.4 million workers over the summer – representing one-third of the workforce. Self-employment support claims have been higher in urban areas, with six in 10 self-employed claiming, compared to five in 10 in rural areas.

Urban areas have experienced a higher rate of increase in claimant unemployed, with the rate doubling between March and November to record highs. Seven out of every 10 new unemployment-related benefits claimants reside in urban areas, whilst two in 10 were young (aged 16-24), twice their share of the population.

## Young people have been more vulnerable to shutdown, job loss and unemployment

Research by the IFS, presented in Figure 12, shows that young people (defined as those aged 16-24) were nearly two and a half times more likely to be working in vulnerable 'shut down' sectors in the lead up to the pandemic, with three in 10 young people employed in such sectors. The Resolution Foundation found that, at its peak, over one-third of young people had been furloughed or lost their main job, twice the average of 35 to 49-year-old workers. Their analysis also shows young people are more likely to be in atypical and flexible work, and categorised as 'key workers', and thus less susceptible to remote working, and more vulnerable to pay swings and losses.

**Figure 12: Employment in 'shut-down' sectors by age group, 2020**



Source: The IFS, Cambridge Econometrics.

Further, two in 10 new unemployment claimants in urban areas were by young people, whilst three-quarters of young claimants resided in urban areas. Young people in school currently could be disadvantaged by COVID-19 when they enter the labour market. Research by the Resolution Foundation project that the employment rate of today's graduates could be 13 per cent lower, in three years' time, than would have been the case without the current crisis.

**One-fifth consider it likely that they will leave self-employment**

### **Self-employed workers have been hit hard by the pandemic**

Over two-thirds of self-employed workers in England and Wales reside in urban areas, with some 4.5 million urban residents reliant on self-employment. The self-employed have been hard hit, with 58 per cent reporting having less work than usual in August 2020. Solo self-employed and older workers continue to be the most negatively affected. One fifth of self-employed workers consider it likely that they will leave self-employment. This is higher among less risk-averse workers, younger workers, and those excluded from government support.

### **The pandemic and lockdown has put further pressures on incomes**

The pandemic and lockdown has put further pressures on incomes. In the re-opening period after the first lockdown, according to the Resolution Foundation's survey of 6,000 working-age adults, 23 per cent reported their family income was lower than in February 2020. Policy action has gone some way to protecting families from the sharpest incomes falls, but 43 per cent of adults in families making a new claim for benefits since February have seen their incomes fall by more than one-quarter.

**Low earners have suffered most of the economic fallout resulting from the pandemic**

Research by the Resolution Foundation, found that the lowest earners have been more likely to have lost work or to have been furloughed due to the crisis, impacting over three in 10 low earners in contrast to one in 10 of the highest earners. Fifty-four per cent of adults from families in the lowest income quintile have borrowed in recent months to cover everyday costs such as housing and food. Twenty-nine per cent of those on persistent low incomes throughout the pandemic cannot afford basic items such as fresh fruit and vegetables.

**One in three low earners worked in 'shut down' sectors compared to one in 20 high earners**

This has been driven by the overrepresentation of low earners in economically vulnerable sectors. The IFS estimates that low earners are seven times as likely as high earners to have worked in a sector that has been ‘shut down’ by lockdown restrictions. Over one in three (33 per cent) of the lowest earners (decile 1) worked in ‘shut down’ sectors in the lead up to the pandemic, versus just one in 20 (5 per cent) of the highest earners (decile 10).

The Resolution Foundation also notes that those who rely on atypical work – a popular way of working for low earners, particularly in urban areas – are much more likely to have been furloughed, or to have lost jobs or hours. For instance, 31 per cent of employees with variable hours, and 28 per cent of employees on zero-hours contracts, either lost their main job or were furloughed from it.

### **The health and economic welfare of BAME residents in urban areas have been put at greater risk**

BAME households were already twice as likely to be in poverty or be unemployed pre-COVID. The IFS analysis of ‘shut-down’ sectors showed 15 per cent of employees were from BAME backgrounds, above the BAME workforce average of 12 per cent. Nine out of 10 BAME residents working in such vulnerable sectors resided in urban areas. Four in 10 BAME workers were employed in high COVID-19 risk occupations, in contrast to three in 10 white workers.

#### **The impacts of COVID-19 on health and jobs could exacerbate ethnic and racial inequalities**

Analysis has also shown BAME workers are more likely to be in atypical and flexible work, and categorised as ‘key workers’, and thus less susceptible to remote working, and more vulnerable to pay swings and losses. With BAME families also more likely to be in overcrowded and poor-quality housing, this further adds to the difficulties BAME residents encounter.

Further, foreign-born residents have been further disadvantaged if their immigration status has left them with ‘no recourse to public funds’ as stipulated in their residency and citizenship rights. This has left many people ineligible for support during the COVID-19 crisis, and dependent on other means of hardship support such as food banks.

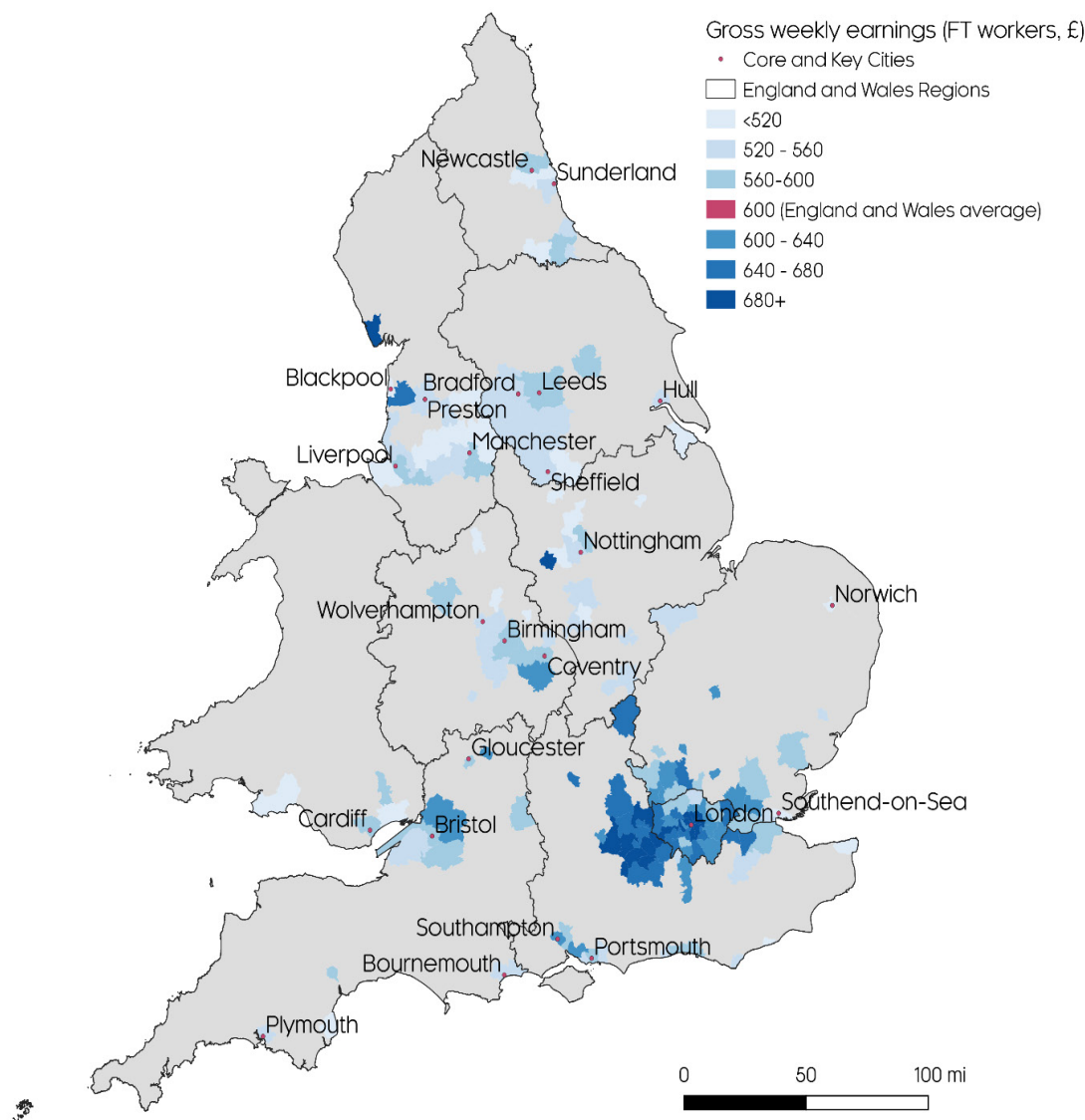
### **Urban areas remain divided in their ability to generate wealth and participation in the economy**

Gross weekly earnings of full-time workers (Figure 13) are a reflection of the diverse performance of urban areas in terms of wealth and productivity. The City of London records the highest workplace-based earnings (based on where people work), with average earnings of £1049.50 per week (75 per cent above the national average), followed by Tower Hamlets (£872.80), and Westminster (£792.60). Outside of London, the highest weekly earnings are in Wokingham (£753.60).

Outside of London and the South East of England, Derby has the highest average earnings, at £706.90 per week, followed by Barrow-in-Furness (682.60). The lowest earnings were found in Burnley, at £462.00 per week, followed by Mansfield (£466.30), South Tyneside (£472.50), Rochdale (£477.80) and Tameside (£480.00). Average earnings in these lowest five urban councils were at least 20 per cent below average earnings for England and Wales.

Examining the employment rate, which measures economic participation (Figure 14), there are marked differences between urban areas in England and Wales. Pre-COVID, Dartford had the highest employment rate, with 86.5 per cent adult residents in work, 14.1 per cent higher than the England and Wales average of 75.9 per cent. This is closely followed by urban council areas such as Woking (85.4 per cent), Cheltenham (84.4 per cent), and Corby (83.0 per cent). These are in stark contrast to the lowest employment rate – found in Middlesbrough (64.2 per cent), closely followed by Nottingham (64.3 per cent), Birmingham (65.1 per cent) and Barrow-in-Furness (66.2 per cent).

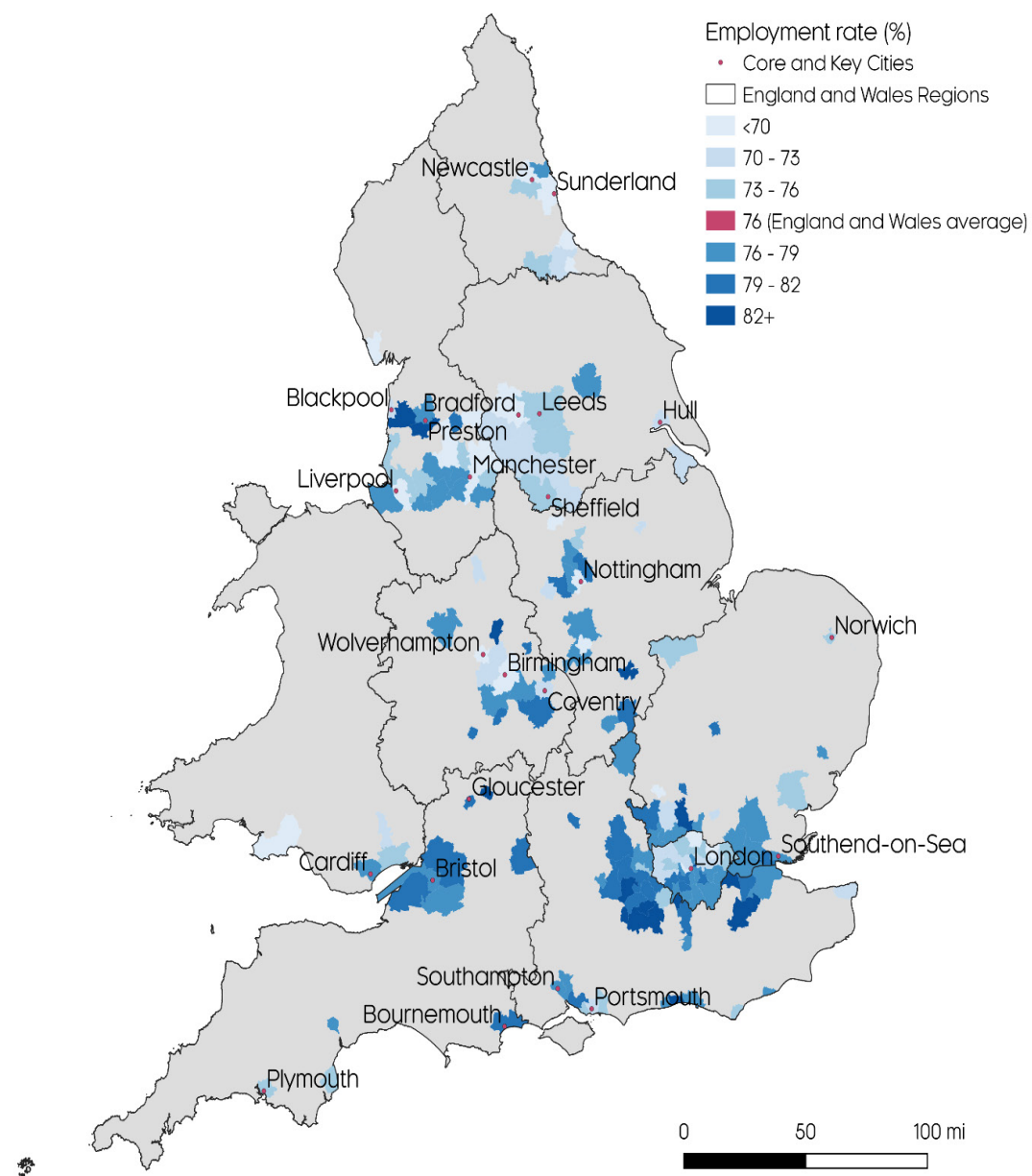
**Figure 13: Gross weekly earnings of full-time workers in urban authority areas in 2019**



**Source: ONS, Cambridge Econometrics.**



**Figure 14: Employment rate ( per cent) in urban authority areas in 2019-20**



**Source: ONS, Cambridge Econometrics.**

## 2. Looking forward: challenges and opportunities for urban areas

### COVID-19, Brexit and the prospects for recovery

**Even though there may be economic recovery by 2024, a number of structural changes and potential economic challenges may emerge**

This section discusses the future challenges and opportunities for urban areas in the context of wider national challenges and policy objectives. As chapter 1 outlined, the economic impacts of COVID-19 are expected to be significant, and are further compounded by the UK's departure from the European Union. Forecasts produced by Cambridge Econometrics indicate that the joint impact of Brexit and the COVID-19 pandemic will lead to a loss of one million jobs in the UK between over 2020-21 in England and Wales, with almost 500,000 of these jobs lost in urban areas.

**Urban areas will have to deal with the impacts of both COVID-19 and Brexit**

As discussed in the previous chapter, there are significant risks of unemployment and structural change in the economy ahead, as evidenced by the 5.4 million urban workers furloughed over the summer in 2020, claimant unemployed has more than doubled to total 2.6 million in November 2020 and the 4.6 million urban jobs that are in vulnerable or very vulnerable sectors. Cambridge Econometrics have forecast that job losses in urban areas could total half-a-million between 2019 and 2021. All these changes will have different spatial impacts – between cities, and within urban areas, and will also increase inequalities.

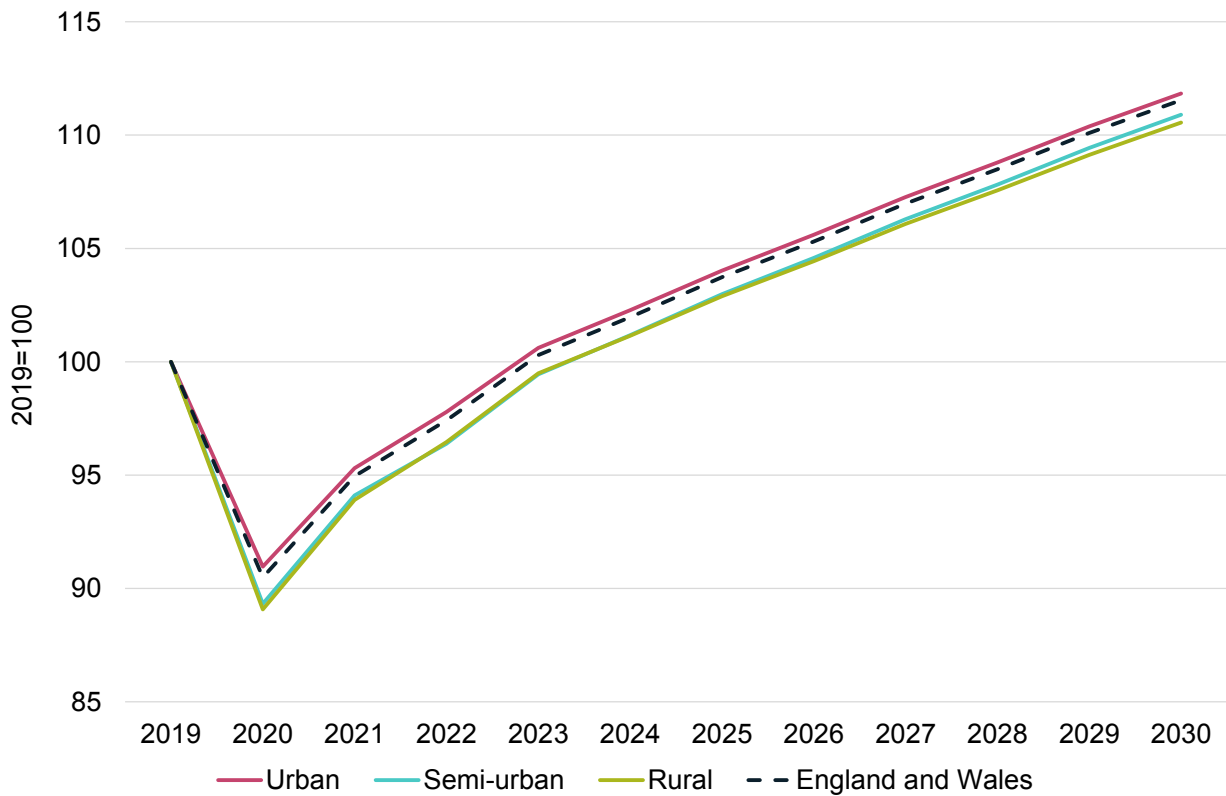
The UK is not alone in facing economic challenges – this is a global crisis. In January 2021, the IMF estimated that the UK economy had contracted by 10 per cent, whilst the Global Economy had contracted by 3.5 per cent in 2020. In April 2020, the WTO annual trade warned that international trade could decline by up to 32 per cent – on a part with the reduction seen between 1929 and 1932.

**Forecasts indicate that lost GVA could recover by 2023, and jobs by 2024 Urban economies are forecast to recover more quickly**

As discussed in chapter 1, Cambridge Econometrics forecasts indicate that economic output (GVA) in urban areas is projected to drop by 9 per cent in 2020, in contrast to the steeper 11 per cent fall in non-urban areas (Figure 15). Urban areas are expected to recover to pre-pandemic levels of GVA by 2023, one year faster than non-urban areas. From 2024 onwards, GVA is expected to grow at a broadly similar pace across all areas from, rising by about 11 per cent.

The number of jobs in urban areas could drop by 2.3 per cent (totalling 488,000 job losses) by 2021, a slightly lower rate than the 3.0 per cent reduction in jobs in non-urban areas. Urban areas are forecast to recover total lost jobs more quickly than non-urban areas over the coming years - recovering one year earlier than non-urban areas. However, structural changes may be particularly acute for urban areas – for example, 72,300 jobs losses are forecast in financial and insurance services between 2019 and 2021, with a further 1,400 job losses between 2021 and 2030. Manufacturing job losses of 102,500 between 2019 and 2021 are forecast to contract further, by 68,000 between 2021 and 2030. Conversely, significant jobs growth is forecast in professional, scientific and technical activities and in Information and communication activities. Urban regeneration – work in progress

**Figure 15: Forecasts for economic output (GVA), 2019-30**



**Source: ONS, Cambridge Econometrics. Note: indexed chart, 2019 = 100**

## **On aggregate, urban areas substantially contributed to the economic recovery between 2010 and 2019**

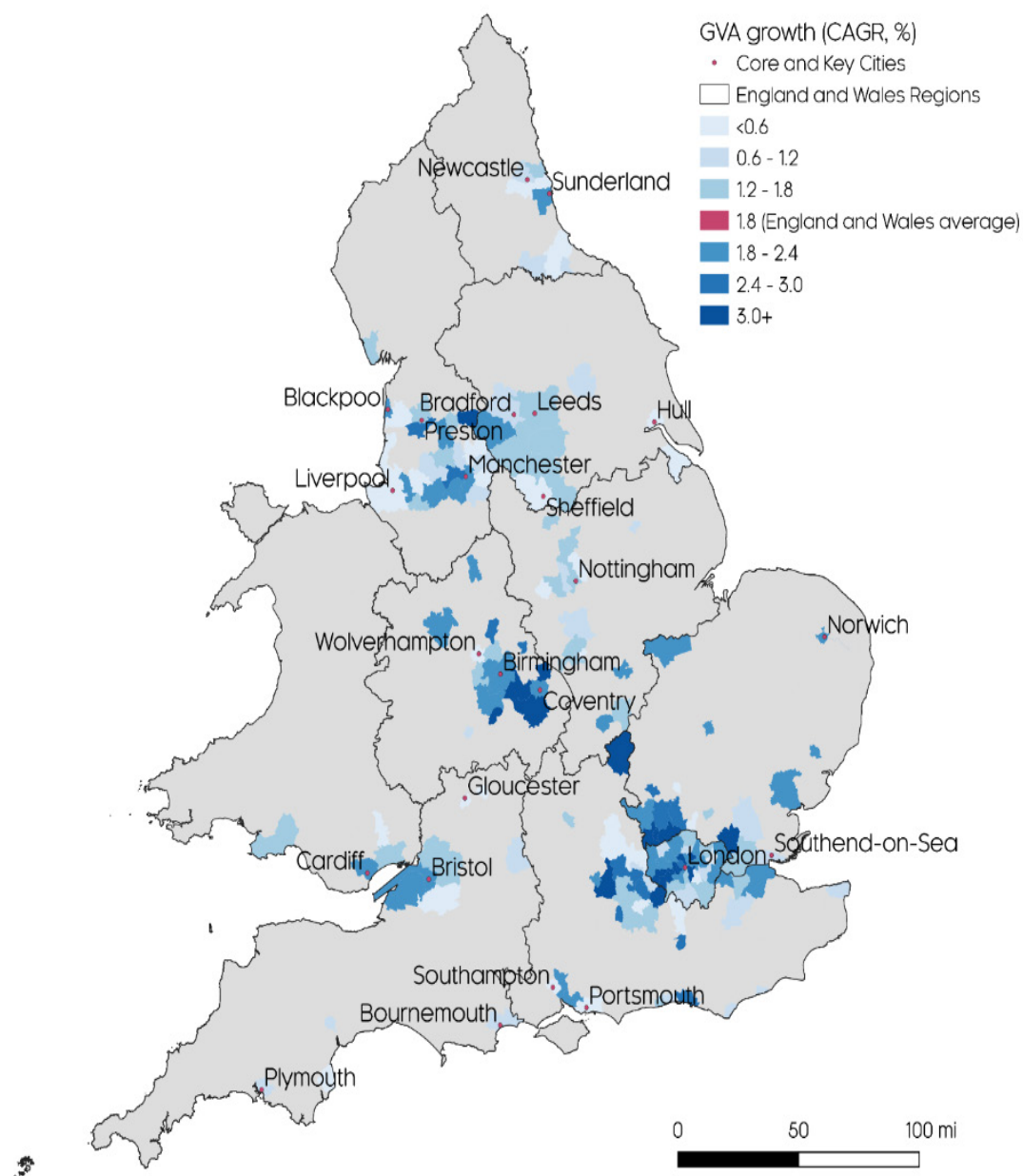
In the decade after the 2009 Great Recession, urban areas led the recovery in England and Wales – accounting for 78 per cent of total GVA growth, almost three out of four new jobs, 92 per cent of productivity growth, and 70 per cent of population growth. Two point three million urban residents entered jobs over this decade, with notable increases in full-time employment, in high-skilled occupations, and in roles paying above the Living Wage. The proportion of urban residents that are highly skilled had accelerated the decade preceding COVID-19, pulling away from non-urban peers, with an estimated four in 10 urban residents educated to degree level in 2019.

## **But there is a big divide between the winners and losers from growth during the 2010s**

The rates of economic growth over the decade between 2010 and 2019 have varied enormously across the country (Figure 16). Camden achieved the highest rate of GVA growth amongst all urban areas, recording 5.8 per cent annual growth over this period – followed by Three Rivers (5.3 per cent), Watford (5 per cent) and Hackney (4.4 per cent). Salford achieved 2.9 per cent GVA growth per annum, compared to 2.3 per cent in Manchester, 0.9 per cent in Derby and -0.3 per cent (on average, an annual contraction) in Kingston upon Hull.

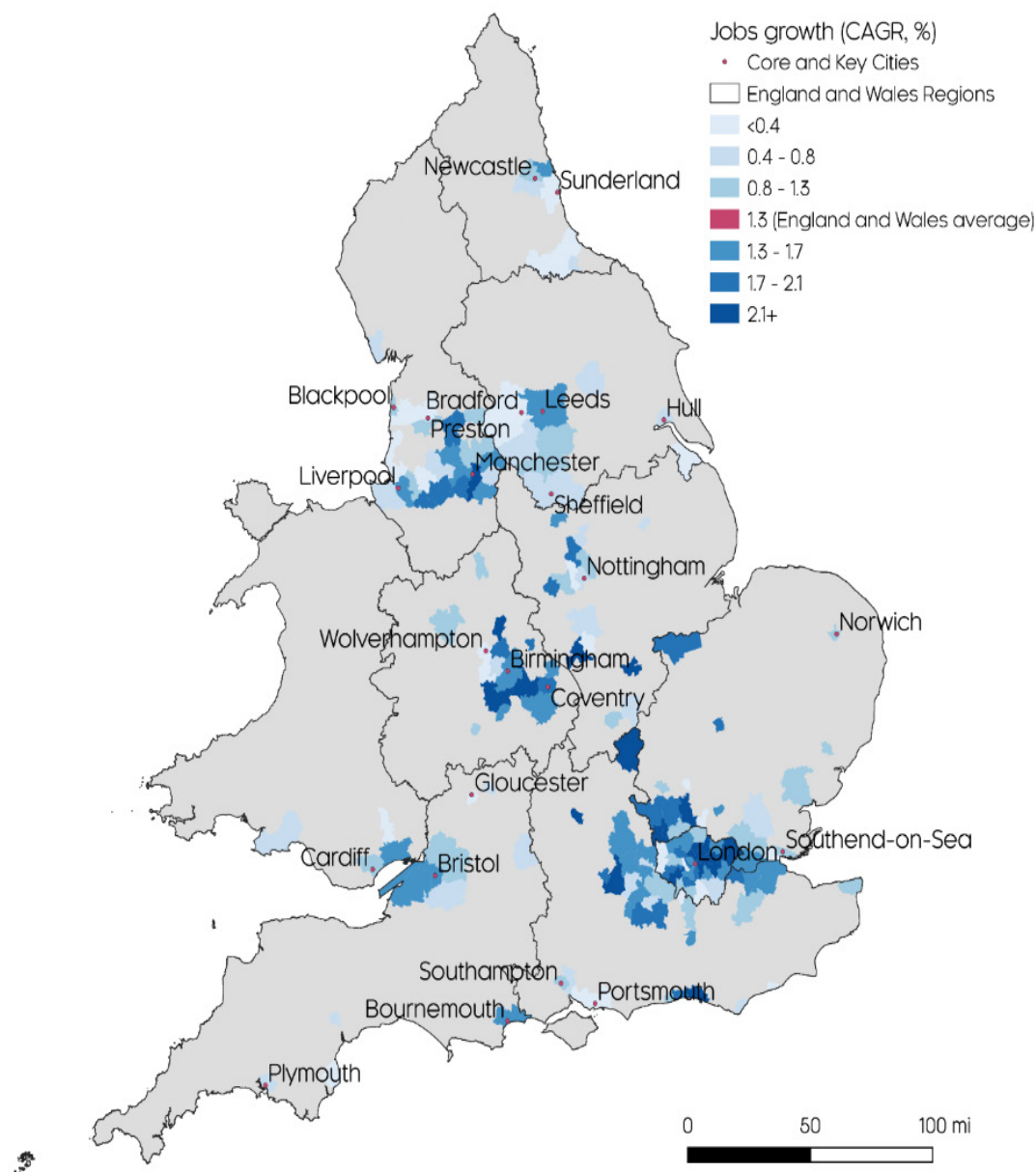
**The economic performance of urban areas in the past decade has varied enormously**

**Figure 16: Annual rate of GVA growth in each urban authority area, 2010-19**



**Source: ONS, Cambridge Econometrics.**

Figure 17: Annual rate of jobs growth in each urban authority area, 2010-19



Source: ONS, Cambridge Econometrics.

## The differences between rates of jobs growth amongst urban areas is cause for concern

There are marked variations in annual rates of jobs growth over the past decade. Large and mid-sized cities experience an annual decline include Wolverhampton (-0.3 per cent per annum), Sunderland (0.2 per cent), Portsmouth (0.4 per cent), Plymouth (0.5 per cent) and Sheffield (0.5 per cent). The bottom five urban councils for jobs growth which all experienced a contraction include Darlington (-1.4 per cent per annum), South Tyneside (-0.8 per cent), Broxbourne (-0.7 per cent), Hartlepool (-0.6 per cent) and Oadby and Wigston (-0.5 per cent).

By contrast, Manchester experienced an annual 2.4 per cent rate of jobs growth between 2010 and 2019, with Coventry (1.8 per cent), Bristol (1.6 per cent), Bolton (1.6 per cent) and Liverpool (1.5) also achieving high rates of growth. The top five urban councils for jobs growth include Newham (5.3 per cent), followed by Watford (4.2 per cent), City of London (4.2 per cent) Tower Hamlets (4.0 per cent), and Hackney (3.9 per cent). Outside of London, the high performing urban councils for jobs growth included Three Rivers (3.2 per cent), Blaby (2.8 per cent), Solihull (2.8 per cent), Milton Keynes (2.7 per cent) and Oxford (2.4 per cent).

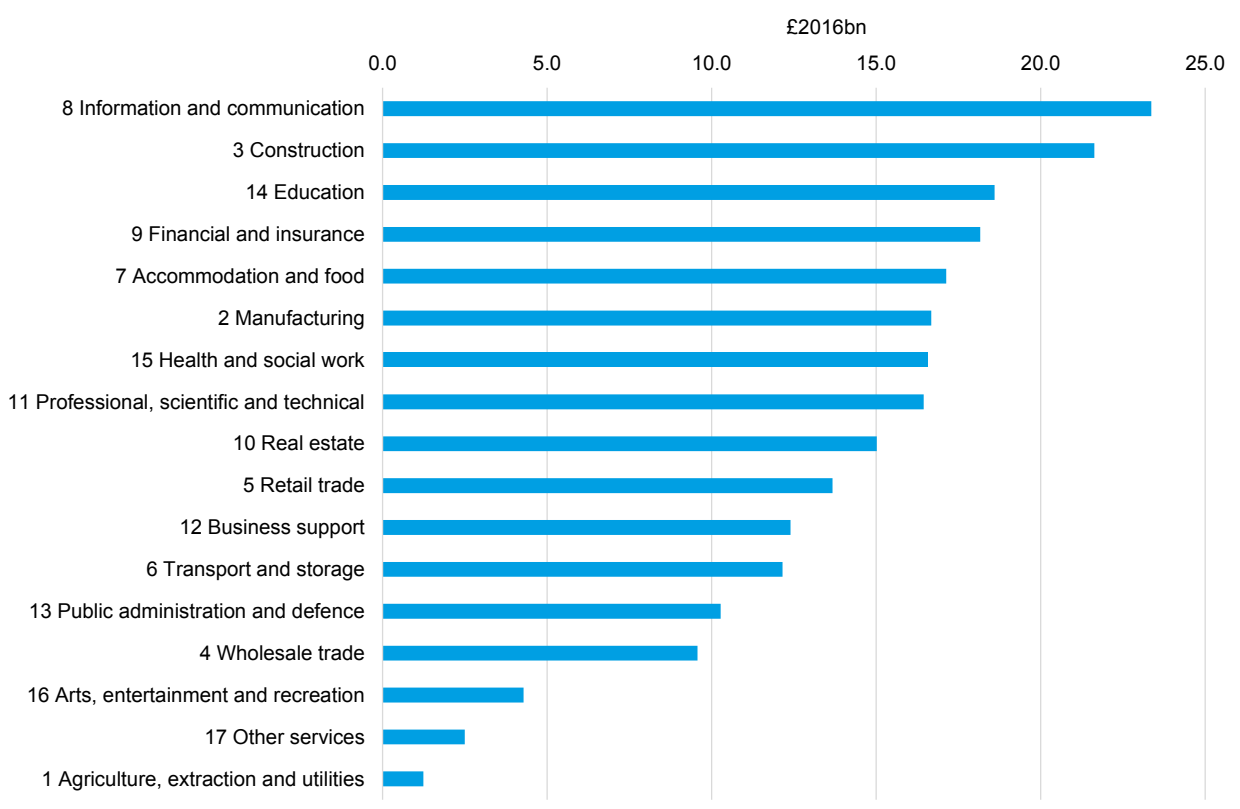
## The pandemic will create a long-term restructuring challenges for many urban areas

### An economy in transition

There are some notable challenges in terms of economic restructuring and industry trends within the projected recovery. According to Cambridge Econometrics forecasts, the level of jobs in nine out of the 17 sectors in 2030 will be similar or lower compared to 2019, underlining the longer-term legacy and impact of the pandemic, and the potential for some sectoral job losses to be permanent and not transitory.

As Figure 18 reveals, three of the five sectors that experienced the steepest GVA decline in 2019-20 are projected to recover strongly: construction, education, and accommodation and food.

**Figure 18: Forecast change in GVA of urban areas by sector, 2020-30**



**Source: ONS, Cambridge Econometrics. Note: figure are values, in 2016 prices, billions.**

A strong recovery is also forecast for knowledge intensive business services (KIBS) sectors (comprising professional, scientific and technical, finance and insurance and information and communication sectors), which are projected to contribute £58 billion of GVA growth between 2020 and 2030 - almost one-third of total growth in urban areas in England and Wales over this period. Weaker recovery is forecast in manufacturing, transport and storage, partly due to the impacts of Brexit.

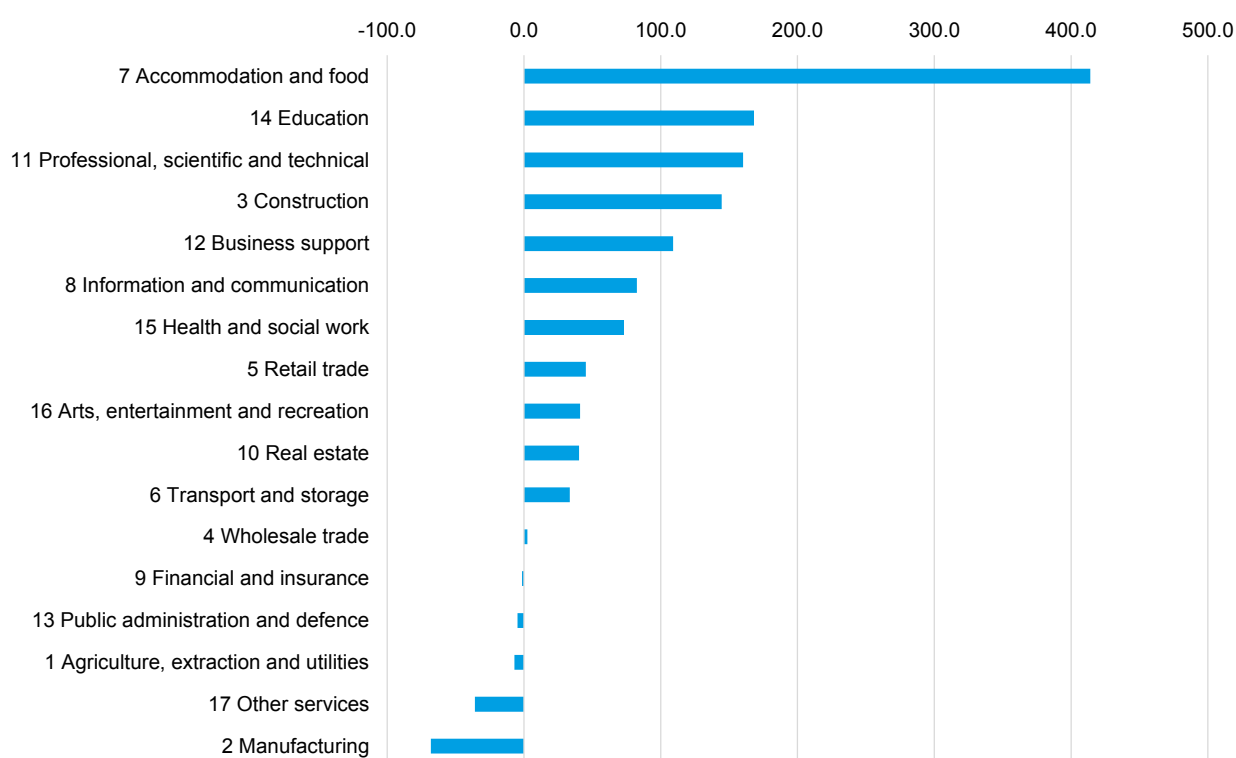
As shown in Figure 19, reflecting robust post-COVID demand in urban areas, the accommodation and food sector is expected to recover the job losses of 2019-21, and add a further additional 125,000 jobs between 2021 and 2030. Four more sectors will grow by more than 100,000 jobs between 2021 and 2030, largely recovering their losses from 2019-21: education; professional, scientific and technical; construction and business support.

**“Both aviation and automotive plus their supply chains puts 32,000 jobs classified as vulnerable in this locality – which is a big share of total employment”**

Urban council, East of England



**Figure 19: Forecast jobs growth by sector in urban areas in England and Wales, 2021-2030**



**Source: ONS, Cambridge Econometrics.**

The long-term trend of declining manufacturing employment is expected to continue into the next decade, with a further five per cent fall in jobs between 2021 and 2030. Employment is projected to contract or remain stable over this period in four other sectors: other services; agriculture, extraction and utilities; public administration and defence; and financial and insurance services.

## Digital transformation and automation

According to McKinsey, COVID-19 has accelerated digital transformation by seven years. Businesses have made their best efforts to meet shifting consumer demands and have rapidly implemented remote working to remain operational. Other surveys reveal that 66 per cent of UK enterprise decision makers sped up their company's digital transformation plans 'a great deal.' This acceleration in digitalisation has not been uniform across all industries.

Financial and insurance activities, professional, scientific and technical activities, and real estate activities industries rank amongst the highest in both the percentage of workers reporting working from home and investment per worker in ICT assets and software. In 2019, the information and communication industry invested £9,196 per employed worker compared with £272 in the accommodation and food services industry. It is estimated some 76 per cent of finance and insurance jobs can be more easily done from home, compared to 4 per cent of those accommodation and food services.

Increasing rates of automation also threaten further economic restructuring challenges. The World Economic Forum found that 43 per cent of businesses surveyed said they would reduce their workforce due to technology integration – which could mean that by 2025, 85 million jobs (Globally) may be displaced, while 97 million new roles may emerge.

**“New jobs are likely to be in higher skilled roles and there could be a loss of entry-level jobs”**

Urban council, North West of England

## **Forecasts are not self-fulfilling – urban councils will need to manage and deliver growth and successful industrial restructuring**

A national objective for urban areas in England and Wales could be to recover the £99.5 billion GVA loss; and recover the half a million jobs lost – by 2025. To do so, urban areas will need to be able to support the rapid recovery of businesses, recruitment, and ensure workers have the right skills to respond to job opportunities.

The type and quality of jobs growth is also important. For urban economies to recover successfully and deliver long term growth, they will need to support new markets, industries, and the successful application of new technologies and skills. They will need to generate productivity gains and international comparative advantage, on a legacy of poor productivity growth over the past 10 years. However, the uneven distribution of jobs growth is a risk for urban areas.

Knowledge intensive industries such as professional, scientific, technical, information technology and communications activities have been more resilient during the epidemic and are expected to growth strongly. Some urban areas already have a significant presence in these industries and offer competitive advantage. Other cities are not so well represented and the country risks a spatially uneven recovery in future.

**Prior to COVID-19 retail and leisure accounted for 1.3 million jobs in urban areas**

## **Places that work**

### **The pace of change in physical retail in town and city centres has accelerated significantly during the pandemic**

The retail and leisure sector - which accounts for a substantial 1.3 million jobs in urban areas - has seen a markedly steeper drop and slower recovery in footfall and spending compared to non-urban areas (see Figure 20). Even during the summer, urban footfall remained 20 per cent below its pre-COVID baseline, despite returning to pre-COVID levels in suburban and rural areas.

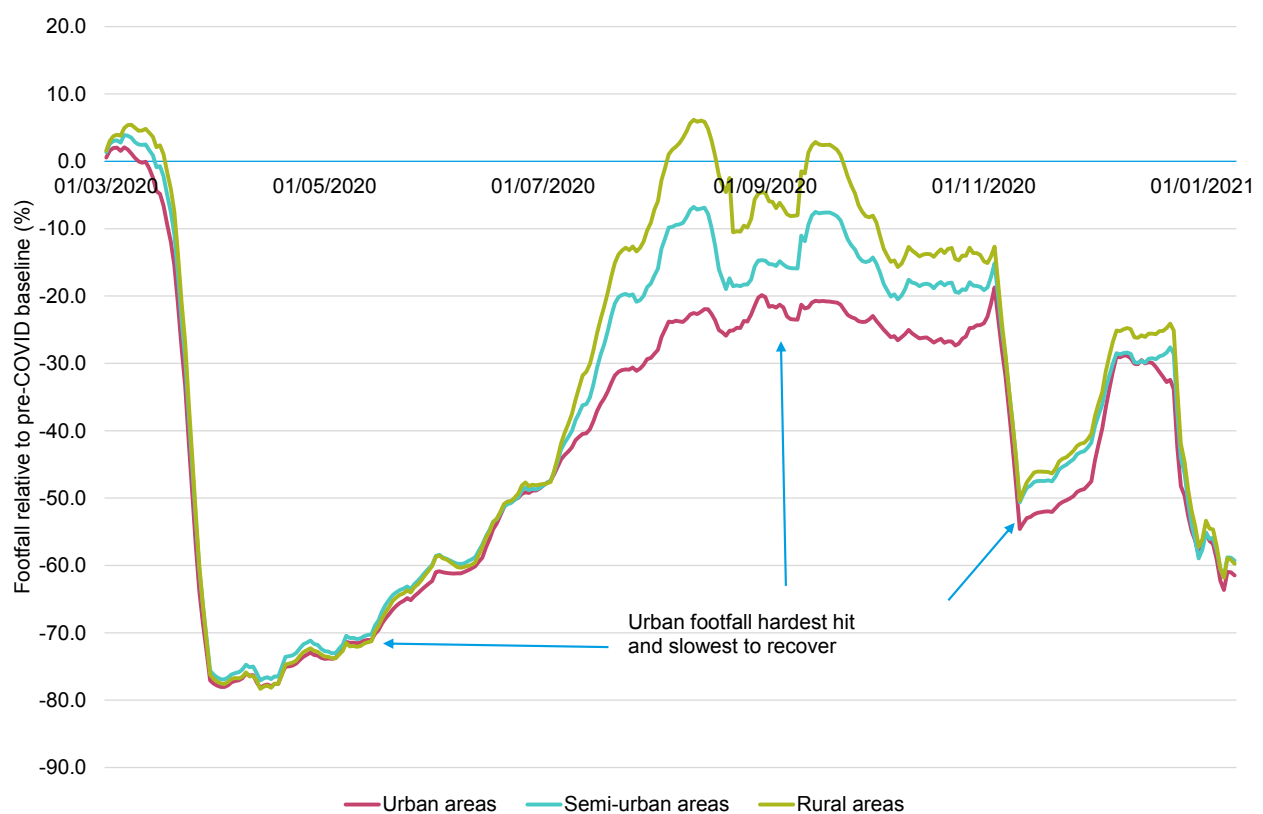
“Local centres have done better than city centres during the pandemic... the rise in popularity of the 15-minute neighbourhood concept is now prevalent in our thinking”

London borough

Cities centres such as Manchester reported an 85 per cent reduction in visitors in the first week of November 2020 compared to the previous year. Within Manchester, bus passengers were down 49 per cent and metrolink passengers down 77.2 per cent compared to pre-COVID levels of use. Footfall has recovered more swiftly in local centres rather than city centres.

Online retailing accounted for 31.4 per cent of total retailing compared with 28.6 per cent in October 2020, with an overall growth of 74.7 per cent in the value of sales when compared with November 2019. It has been estimated by The Local Data Company that 18,000 retail premises may have closed permanently during 2020 in the UK – representing 14 per cent of high street, retail park, and shopping centre outlets. This has been compounded by the higher homeworking potential for many urban workers, which has severely impacted ‘Pret economy’ vendors who are reliant on trade relating to commuting and the office.

**Figure 20: Retail and leisure footfall relative to pre-COVID baseline, 2020-21**



Source: Google (Mobility Reports), Cambridge Econometrics.

## **The challenge of transforming place: city and town centres that successfully serve residents, visitors, businesses and workers**

The trends driving the change in use of urban centres, particularly for retail, have been accelerated during the COVID-19 pandemic. Urban areas are at the forefront of transforming centres through investments in new housing, commercial and leisure uses. Delivering affordable housing is part of this place transformation. Housing costs are a significant issue for urban residents, and have also been one of the drivers of overcrowding – which has led certain income groups and communities more susceptible to COVID-19 infection and mortality.

### **A post-COVID vision for the city centre: Birmingham's Our Future City**

#### **Successful transformation over the past 30 years**

Birmingham City Centre has undergone a successful transformation over the past 30 years, attracting unprecedented levels of investment and development into the city, providing jobs, opportunities, homes and environmental improvements. Exciting future developments such as Smithfield, HS2 and the completion of Paradise will ensure that Birmingham City Centre continues to be one of the largest growing city economies in the UK.

In 2020, with the advent of COVID-19 highlighting the city's widening economic inequalities and accelerating retail restructuring, it was time to evolve the existing strategy to take account of these and other challenges including climate change.

#### **Evolving the existing strategy: zero carbon and inclusive growth**

In declaring a climate emergency in June 2019, Birmingham City must now adapt its built environment and transport system for a zero-carbon future. The COVID-19 pandemic has intensified the deep structural inequalities that exist for people across Birmingham with many people struggling and too many children not having the opportunities to thrive in life.

Our Future City Plan (OFCP) outlines a template for major change in Birmingham. Using the climate emergency as impetus, the new direction being set is one aiming for a zero-carbon approach to development. In addition to this, inclusive growth principles will be built into the very foundation of all plans to ensure that every citizen in Birmingham benefits from development.

#### **Shaping our city together: a fair, inclusive and green place that benefits all**

The first step has been to create an inspiring vision and strategy for Central Birmingham that can create a fair, inclusive and green place that benefits all. This approach is collaborative – with the involvement and views of individuals, businesses and charities, to create a shared vision and strategy for the future. The feedback received during this first stage of engagement will inform the draft OFCP and the Central Birmingham Framework 2040, to be released in the summer.

# Inclusive recovery and growth

## The risk of long-term unemployment

We know from previous recessions that unemployment can continue increase, even beyond the time-frame of the technical recession (when there are consecutive quarters of GDP decline). History also teaches us that unemployment can take many years to recede back to pre-recession levels.

**Policies to stimulate rapid job creation and transition of the unemployed into new skills and jobs will be necessary**

Long-term unemployment is a concern, as it tends to leave lasting scars on individuals and communities. During 2020, inflow rates into unemployment in 2020 were not nearly as big as the inflows in past recessions. But they are rising rapidly. Trying to keep labour demand buoyant and helping ensure there are enough job opportunities in 2021 and 2022 will be critical. There will be a need to consider job creation and growth policies.

Three factors will determine whether long-term unemployment becomes a problem over coming years: the number of people laid off; the composition of the newly unemployed; and the number of job opportunities that arise over the year. Critically we have seen unemployment affecting several groups more than others, including young people (16-24), and unemployment and income loss affecting young people (16-24), low-earners and those in temporary and flexible work, particularly in retail and leisure.

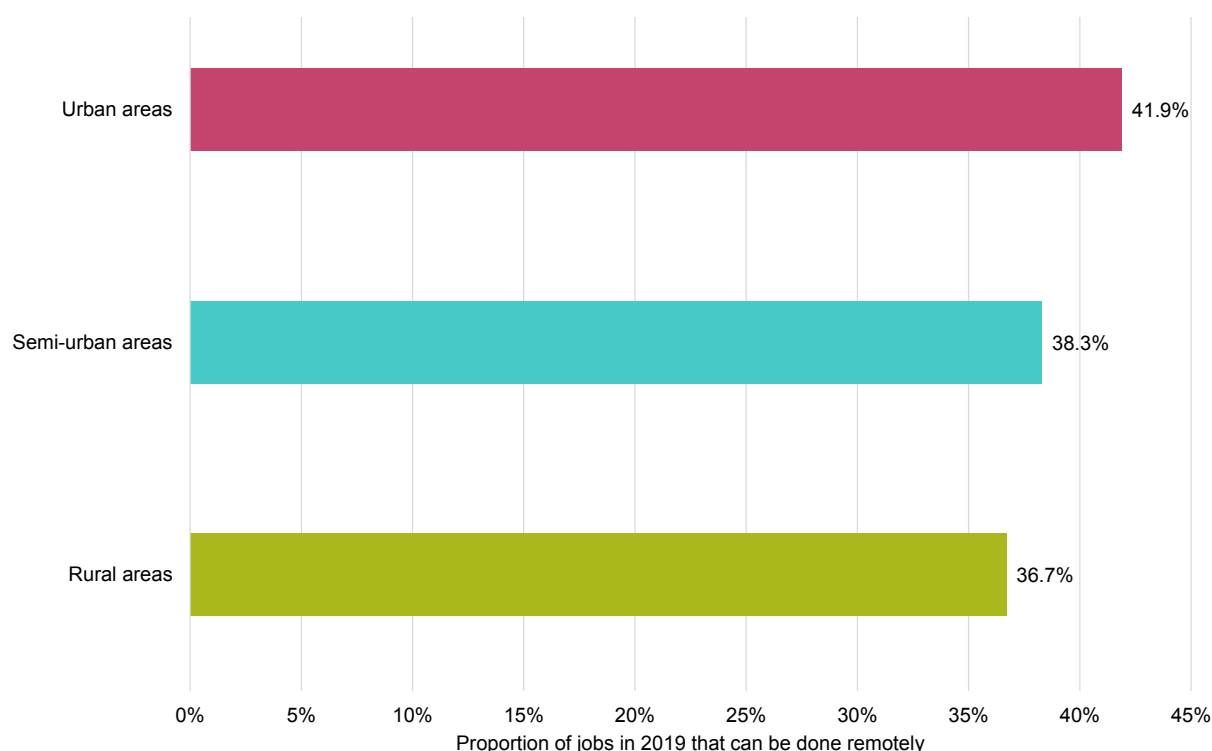
## Homeworking and the digital divide

Urban workers have been at the forefront of the remote working revolution, which accelerated in weeks a process that may have otherwise taken decades to materialise. At its peak during the first lockdown, an estimated four in 10 urban workers exclusively engaged in the remote working, a higher share than non-urban peers (Figure 21).

But the rise in remote working and home working threatens to be exclusive, and further disadvantage lower-skilled workers. This disadvantage is driven by the type and industry of job undertaken, how far an employer and workplace is digitally enabled, the affordability and availability of devices, and the availability of sufficient connection speeds.

**At its peak during the first lockdown, an estimated four in 10 urban workers were doing their job remotely**

**Figure 21: Share of employees working remotely at peak of COVID-19 lockdown in May 2020**



**Source: ONS, Cambridge Econometrics**

“Digital exclusion is a major challenge for this area, with only 46 per cent of households able to access superfast broadband compared to the national average of 95 per cent”.

Urban council, North West of England

According to ONS analysis, professional occupations such as actuaries, economists and statisticians are most likely to be able to be done from home. Jobs like these, alongside management, technical and administrative jobs, involve relatively little face-to-face contact, physical activity or use of tools or equipment. Homeworking opportunities vary significantly between industries, with 10 per cent of employees within the accommodation and food services industry reporting having ever worked from home (in 2019) compared with 53 per cent of those in the information and communication industry.

By contrast, elementary occupations (including cleaners, waiting staff and security guards) together with process, plant and machine operatives, are much less likely to be able to work remotely. Among the jobs least likely to be able to work from home are also frontline workers, many of which have been designated as ‘key workers’ during the coronavirus pandemic. These include police officers, paramedics, and firefighters.

For home and remote working to be possible, workplaces and jobs need to be digitally enabled, and employees need access to the technology and broadband networks to work from home. Pre-pandemic, evidence indicated that in 2018 less than half of all employees were provided with a portable device for work, except in the information and communication industry where around 60 per cent of employees were provided with a portable device. Internet accessibility is not homogeneous across the UK. The Office of Communications (Ofcom)'s 2019 Connected Nations report found superfast broadband (a minimum of 30 mbps) coverage reached 95 per cent of residential homes in the UK, and 86 per cent of business and commercial properties. Urban areas are better served by high superfast broadband than rural and remote areas, except for some inner London boroughs, who have a high proportion of premises unable to access this.

## **Economic restructuring risks exacerbating inequalities further**

As discussed in chapter 1, urban residents have been more vulnerable to COVID-19 infection and deaths. The economic impacts of lockdown, sector restructuring and job loss have more negatively affected groups of urban residents in terms of age, gender, ethnicity and jobs in low skill/low pay occupations – with more acute impacts for young people, women and Black, Asian and ethnic minorities.

**Urban economies have the potential to generate jobs and growth, but they are also where the nation's biggest disparities and socio-economic challenges are found.**

Projections of jobs losses in manufacturing (102,500) and accommodation and food (290,000) in urban areas will have significant implications in terms of impacts on lower skill, low paid workers and particular communities. We know from previous recessions that unemployment can continue to rise significantly after technical recession is over, with long-term unemployment in particular becoming a challenge.

Consequently, the economic impacts of Brexit will be felt harder within certain urban areas, neighbourhoods and groups. Recent analysis by the Centre for Cities evidences the contrasting impact and recovery context between cities and reveals that any uneven distribution in the impacts and recovery is likely to be greatest within – rather than between – urban areas.

Economic recovery plans, strategies and actions must tackle the rise in inequalities that has occurred during the pandemic, and also provide the agility to respond to inequalities arising from further structural changes to the economy.



# Achieving environmental sustainability and addressing climate change

## UK climate change targets: zero carbon by 2050

In 2021 the UK Government pledged to cut carbon emissions by 78 per cent compared to 1990 levels, after achieving a reduction of 51 per cent on these levels by 2022. Many urban councils wish to pursue comprehensive carbon reduction policies and actions and have declared climate change emergencies. The LGA estimated that the transition to net zero has the potential to sustain 694,000 direct jobs by 2030, and 1.18 million by 2050. For urban councils, there is a need to reduce emissions and transition to a sustainable economy. Pollution and air quality are linked to respiratory illness and have increased the risks from COVID-19. A small rise in people's long-term exposure to air pollution is associated with an 11 per cent increase in deaths from COVID-19 according to research from Harvard University.

**There is a clear, evidenced link between air pollution and COVID-19 deaths**

## Implementing a low carbon future

The Centre for Economic Performance at the LSE provided a useful, realistic assessment of what could be done through green industries as a short-term stimulus response to COVID-19, and in the longer term. There are many options for short-term job generation – for example, by constructing pilot projects for hydrogen production; construction for carbon capture, utilisation and storage; wind turbine and PV assembly, installation and infrastructure; construction and operation of electric vehicle charging infrastructure; construction of walking and cycling infrastructure; retrofitting housing insulation and energy efficiency; and creation and maintenance of natural ecosystems.

**“Our ambition is to be net-zero by 2030. All of our recovery strategies and plans need to contribute to this and we need to implement sustainable housing and modal shift into public and sustainable transport”**

Urban council, Wales

In the medium-to-long term, there are opportunities to create jobs in activities that help the transition to net zero and the sustainable economy – for example, by scaling up hydrogen production, storage and transmission; continued construction and operation of wind and solar arrays; scaling up electric vehicle production and charging infrastructure; research and development and production for sustainable transport; and ecotourism.



Evidence from the US suggests that the potential of green investments and the transition to net-zero could create significant numbers of jobs. They calculated that energy efficiency projects generated 7.72 FTE jobs per USD 1 million spent on energy efficiency – higher than the 2.65 FTE jobs generated per USD 1 million invested in fossil fuel industries. Sustrans estimates that 12.7 jobs are supported or sustained for every £1 million of investment made in the UK in sustainable transport infrastructure, with 1.6 jobs supported or sustained for every kilometre of route constructed (at an average construction cost of £104,000 per km).

To achieve net zero by the target dates set, any economic renewal or growth plans must consider how they contribute to lowering carbon emissions, resource efficiency and environmental sustainability. To ensure that those displaced by the COVID-19 crisis can benefit from green job creation, there would need to be targeted re-skilling, and strategic investment in education and skills, and in incentivising employers.

**To achieve carbon reductions, environmental sustainability must be an integral part of future urban renewal and growth plans**

## **The capacity and capability of urban councils to deliver recovery and growth**

### **Agility and delivery – how urban councils responded to COVID-19**

At the onset of COVID-19 and the first national lockdown, local councils across the country set up completely new services within days to support the most vulnerable whilst they shielded at home. Every council set up a range of communications channels, locally tailored in a way not possible at a national level. Befriending schemes and mental health support were offered to tackle loneliness and isolation, whilst many councils provided additional financial support to those they assessed as being in greatest need. Many services were moved online within weeks. Local councils took the lead in tackling the issue of PPE shortages for social care staff, recognising its importance in protecting not just staff but the most vulnerable in our society.

**“We had to quickly shift our redundancy response online... finding new ways to deliver mental wellbeing, counselling and job search services”**

**Urban council, East of England**

Councils have been central to the employment and economic support that has been provided to residents and businesses. They were pivotal in distributing the £12.3 billion Government made available to support business through Small Business Grants, and wider support for retail, hospitality and leisure. Councils acted with urgency to provide the relief at short notice.

They identified local businesses, assessed eligibility and distributed funds to over 800,000 organisations. In the first eight weeks of social distancing measures, councils had distributed £9.9 billion of funding.

Local councils responded to the pandemic with speed, agility and at scale. 85 per cent of local councils redeployed staff, according to the LGA COVID-19 Workforce Survey (June 2020). An LGA survey (February 2021) found 83 per cent of respondents said their council was doing ‘very well’ or ‘fairly well’ at keeping services running at normal during the COVID-19 pandemic. Residents’ satisfaction with their local council reached a nine-year peak in June 2020.

**Satisfaction with councils reached a nine-year high in June 2020**

## The impact of COVID-19 on major projects and strategies

During the consultation interviews, urban councils described how they have had to re-prioritise their plans and activities during the pandemic, with many having to delay major programmes until further notice. This was partly due to staff being shifted onto urgent priorities such as care and support for the vulnerable, and sourcing PPE for care homes and key services.

**“Our town centre renewal is now being redesigned to reflect the lack of public funding rather than create the 21st century centre for living and working we originally envisioned”.**

Urban council, North West of England

Some urban councils have put their capital investment projects on hold, whilst others have proceeded with re-profiled developments that have removed large components of social housing and public amenities that depend on significant council funding. Other urban councils have experienced little indication that planning applications or interest in property development have weakened. One urban council interviewed had made available pre-planning advice and engagement to maintain confidence in the housing and commercial property market. Most urban councils have revised the scope for retail investment and floorspace in the future.

## How councils are shaping their future strategies and plans for recovery

As the LGA has noted in its ‘Re-thinking local’ publication (June 2020), the COVID-19 crisis highlighted severe inequalities within the population. Financial struggles, health risks, and poor housing conditions have been brought sharply into focus. People have seen what is possible from local government, the public and community sectors during the crisis and it is now time to reassess what residents want from their local areas, public services, and communities.

For many urban councils, the impacts of COVID-19 have left them even more strongly convinced that the prior importance that they have given to addressing inequalities and economic disparities was correct. For some councils, this has led to further plans to establish a community-based approach to location and provision of council services.

**“COVID-19 has put inequalities into stark relief, and has vindicated the strategy we took in 2018 to address social and economic disparities”**

Urban council, Yorkshire

The 15-minute neighbourhood has come to the fore as a useful concept – bringing together cohesive communities, services, jobs and reducing journeys and carbon emissions. This is informing the provision of public services, and location of council premises.

## Leeds Inclusive Growth Strategy: integrating inequalities, health and wellbeing the city's economic development strategy

### **One city – bringing together public, private, voluntary and third sector partners**

Published in 2018, the Leeds Inclusive Growth Strategy set out how Leeds City Council, the private sector, universities, colleges and schools, the third sector and social enterprises in the city will work together to grow the Leeds economy ensuring that everyone in the city contributes to, and benefits from, growth to their full potential. It established 12 'big ideas' that to encourage inclusive growth in the city, that were focused on supporting people, places and productivity. These big ideas included being the best city for health and wellbeing, putting children at the heart of the growth strategy, and tackling low pay, as well as achieving growth, delivering infrastructure and innovation.

### **Leeds economic recovery framework**

Leeds City Council continued to state the ambition to create a strong economy set within a compassionate city – with the intention to refresh their Inclusive Growth Strategy when the time is right after the immediate crisis has passed.

In the interim, the approach to economic recovery is centred around the need to respond and take immediate actions to support businesses and the economy; reset and renew focus and direction on the recovery challenges; and build resilience by delivering inclusive growth, addressing the climate emergency and be the best city for health and wellbeing.

One urban council in the South West of England has reflected on the current pandemic emergency and asked how, in their recovery response, they can address the three major pillars of 1. sustainability, 2. economic inclusion, and 3. place.

The aim is to drive forward economic recovery in a zero-carbon way and address the deprivation that is deeply ingrained in the area. Significantly, there is a desire to move from aspirations to delivery and action.

**“We used to think success was about growth, expansion and meeting the challenge of globalisation. Now we think we will be a successful council if we can improve the wellbeing and health of our residents”**

London borough

## **Dealing with COVID-19, the impact on council resources and the legacy of austerity**

It is estimated that COVID-19 has resulted in £9.7 billion worth of additional expenditure for councils, with a further £2.8 billion of lost income from council tax and business rates. There is now a funding gap of £5.3 billion facing councils in 2023/24. This considerably reduces the ability of urban councils to stimulate economic recovery, and address inequalities and climate change.

## **Summary: the five priorities facing urban areas**

From the discussion in Chapters 1 and 2 it, we can synthesise the economic challenges facing urban areas into five priorities, summarised below:

**1. Restructuring:** Cambridge Econometrics forecasts a loss of half a million jobs in urban areas due to COVID-19 and Brexit. There will be job losses in manufacturing, finance and insurance, hospitalities and leisure, retail and other services. Whilst we forecast some jobs recovery in ICT, scientific and professional, business services, hospitalities and leisure – there will be business closures, supply chain disruption, industry restructuring and increased unemployment. The impacts will be spatially uneven and will affect some communities more than others.

**2. The role of place:** it is forecast that 25 to 30 per cent of retail floorspace is surplus to market requirements. Fifteen thousand stores closed in 2020. The recovery in footfall during and between lockdowns has been strong in small, neighbourhood urban centres, but weak in city centres. There is uncertainty over the role of offices, particularly lower grade commercial space. House prices and affordability in urban areas continue to be a challenge, and have driven up overcrowding in urban areas which, in turn, has contributed to higher rates of COVID-19 infection and deaths.

**“Our city centre plan’s vision now has tackling inequalities as its prime objective”**

Urban council, West Midlands

**3. Inequalities:** Residents in urban areas are more likely to be in lower-skilled jobs, with greater exposure to the virus, living in densely populated areas and in overcrowded housing, with lower rates of health. This has made urban areas more vulnerable to COVID-19 infections and deaths. Seven in 10 BAME employees work in lower paying, higher COVID-risk occupations. One in five new unemployment claimants are young (aged 16-25), and the risks of digital exclusion have become more apparent during lockdown. This has come on top of high levels of poverty evident before the COVID-19 pandemic, with 3.4 million households in urban areas in poverty in 2019, and BAME residents are twice as likely to be in poverty or unemployment. Inequalities were high in urban areas before COVID-19 and have worsened and deepened during the pandemic.

**4. Environmental sustainability and climate change:** reducing carbon emissions continues to present a major public policy and economic challenge. In 2021 the UK Government pledged to cut carbon emissions by 78 per cent compared to 1990 levels, after achieving a reduction of 51 per cent on these levels by 2020. Many councils wish to pursue comprehensive carbon reduction policies and actions, and previous research commissioned by the LGA estimated that this has the potential to sustain 694,000 jobs. The Committee for Climate Change believes around 1 per cent of GDP – national wealth – would need to be spent on shifting away from fossil fuels over 30 years. Urban areas are where the economic activities, population, housing, consumption and travel are concentrated and they are major sources of carbon emissions – presenting major challenges ahead in terms of addressing climate change.

**5. Resourcing agile and integrated responses:** whilst urban councils have the agility, integrated solutions, and democratic legitimacy to lead recovery, they need the resources to do this effectively. It is estimated that COVID-19 has resulted in £9.7 billion worth of additional expenditure for councils, with a further £2.8 billion of lost income from council tax and business rates. There is now a funding gap of £5.3 billion facing councils in 2023/24. This considerably reduces the ability of urban councils to stimulate economic recovery, and address inequalities and climate change.

# 3. A vision for urban growth and recovery

## The challenges facing urban areas

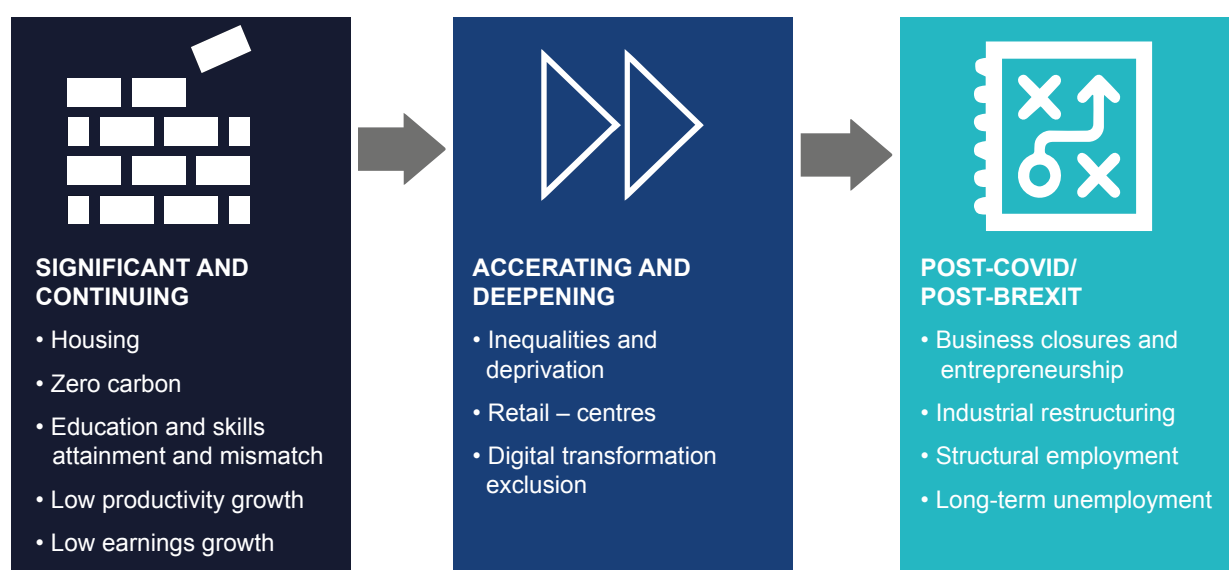
From the analysis in Chapters 1 and 2, it is apparent that urban areas face challenges across many fronts. Some are significant challenges that pre-date COVID-19 and include housing need and affordability, achieving zero carbon, low educational attainment, skills supply-demand mismatch, low productivity growth and low earnings growth. Other challenges have accelerated and deepened, such as worsening inequalities and increasing deprivation, faster retail contraction and changes on the high street, and the increased rate of digital transformation and the potential for digital exclusion.

**“We will have to create and attract millions of new jobs for the UK. To do this we need a national plan, and one which is in step with major trends such as increase automation, digital technologies, robotics and AI”**

Urban council, North West of England

There are a number of potential major challenges from the post-covid and post-Brexit economic landscape. It is likely that once the COVID-19 restrictions on business, travel and work end and government support mechanisms taper off – there will be a period of business closures, contractions and industrial restructuring. Many entrepreneurs, impacted by successive lockdowns, disruptions to supply chains and less COVID-19 related income support, may struggle to recover. Brexit is likely to result in the re-alignment of trade relations, supply chains, overseas demand and exporting activity – which will introduce further structural changes to the economy.

**Figure 22: Summary of challenges facing urban areas**



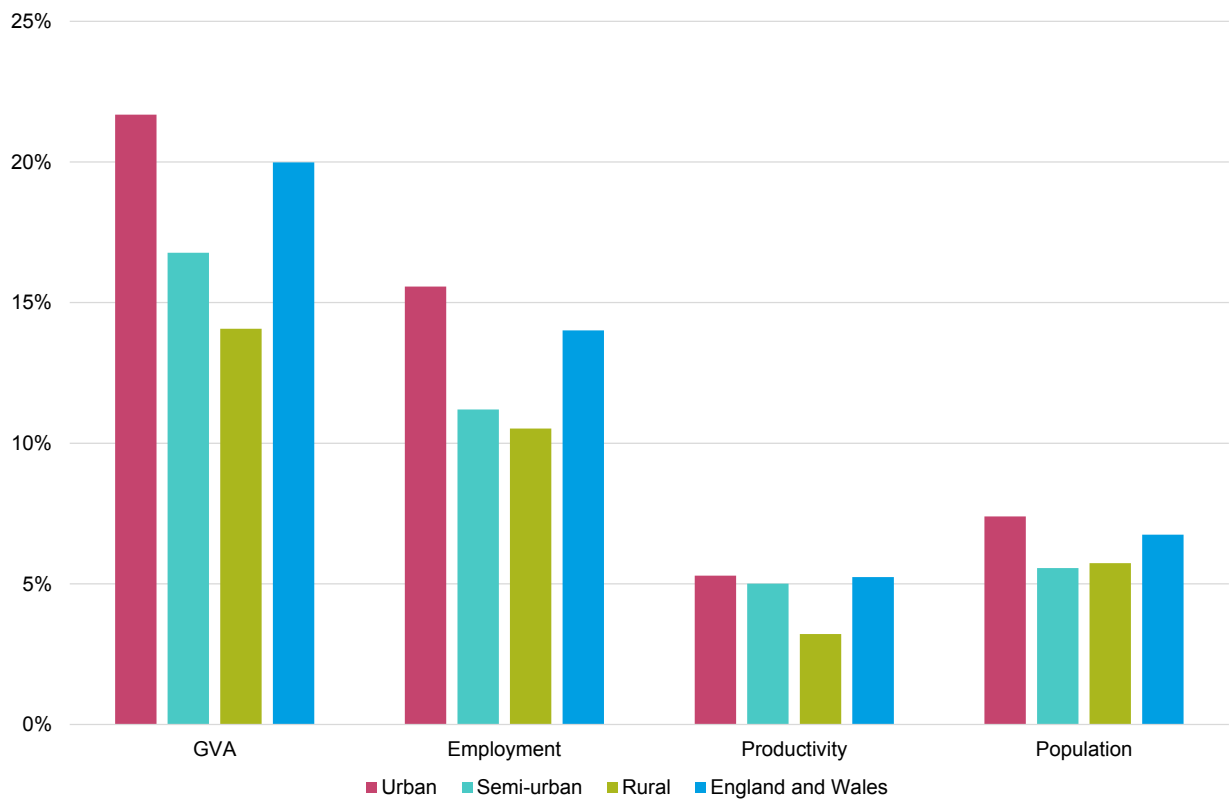
## Urban areas have a critical role to play in economic recovery and growth

In the decade after the 2009 great recession, urban areas led the recovery – accounting for 78 per cent of total GVA growth, almost three out of four new jobs in England and Wales, 92 per cent of productivity growth, and 70 per cent of population growth. Two point three million urban residents entered jobs over this decade, with an increase in full-time employment in high-skilled occupations, and in roles paying above the Living Wage.

Prior to COVID-19, urban economies played a major role in the economic recovery after the 2009 recession

Evidence shows that urban areas hold the keys to growth and national recovery, but, as discussed in Chapter 2 – urban renewal remains work in progress, and the risks of uneven and unequal recovery are great.

Figure 23 Growth across economic performance measures, 2010-19



Source: ONS, Cambridge Econometrics.

## The national policy and funding landscape is fragmented and incoherent

The national policies that impact upon urban areas are diverse and it is difficult to see how they enable joined-up solutions to solve major challenges such as rising unemployment, inequalities and climate change. Figure 24 illustrates some of the national policy initiatives and funding sources that urban areas can benefit from and access. The levelling up funds have seven identified programme streams that are mostly concerned with infrastructure funding – as well as the National Infrastructure Commission. Add onto that (but not within the Levelling Up policy) the announcement of six new growth deals in the recent budget. Then consider housing policy – with the stamp duty freeze, Help to Buy, Housing Infrastructure Funds and the announced national review of land use planning. Enterprise and Innovation are promoted with a raft of national and local initiatives – from the British Business Bank to UKRI, and local growth hubs. Skills and labour market initiatives range from Kickstart, Skills Advisory Panels, Apprenticeships, and the Careers Enterprise Company to name a few. What's clear, is that the policy, delivery and funding framework for urban economies, inequalities, land use, and climate change – remain very disjointed, and that this fragmentation is proliferating.

**The fragmented national policy context stands in contrast to the integrated, holistic policies that urban authorities have in place, and are busy updating.**

If one of the major challenges facing urban areas is considered – climate change and the need to achieve net zero emissions by 2050 – there is no indication of how these initiatives provide a coherent response. This is one of the main policy priorities that requires the consideration of carbon reduction across a whole range of functions and relationships – from energy consumption, to travel to work, to efficient buildings. Efficiency and creating a circular economy require that different policy initiatives join up, and that one carbon saving measure is not undermined by an infrastructure or land use policy which increases carbon emissions.

**“We need to be able to develop a strategic approach, working with our combined authority. The risk is that area regeneration funding objectives and uses bear no relation to the national growth strategies and funds”**

Urban council, West Midlands



**Figure 24: The fragmentation of national policy initiatives and funding sources for urban areas**



This crude representation is likely to understate the fragmentation of resources and initiatives available to urban authorities. As noted by the LGA in 2017/18, 250 different grants were provided to local government, half of which were worth £10 million or less and 82 per cent of grants were intended for a specific service area. One-third of grants were awarded on a competitive basis.

One departure may be the Build Back Better plan for growth, published in March 2021. This represents a more joined up analysis and programme for growth in the UK that could be applied to urban economies. Even with record levels of funding, as claimed – this plan will only work if it can fund integrated and joined up solutions on the ground.

## Urban areas offer integrated, coherent solutions to growth, inclusion and sustainability

In contrast to the fragmented national policy position, urban councils have holistic plans to deliver economic growth, sustainability and inclusion. If we take Bristol City as an example – it has an integrated strategy, the “One City” strategy of public, private, non-profit and community sectors combined that incorporates sustainable development goals. Two years ago, both Newham and Leeds City had incorporated health and wellbeing with inclusion into their economic strategy. Greater Manchester has put labour market inclusion and progression at the heart of its new ‘Our People, Our Place’ strategy economic strategy, launched in September 2020.

### Bristol’s One City strategy

#### **One city – bringing together public, private, voluntary and third sector partners**

The One City approach brings together a huge range of public, private, voluntary and third sector partners within Bristol. They share an aim to make Bristol a fair, healthy and sustainable city. A city of hope and aspiration, where everyone can share in its success. Now in its third iteration, the One City plan 2021 is a product of the city’s commitment to come together to agree on, and work towards the vision for Bristol in 2050.

Built on an understanding that what citizens receive from the city should be more than the sum of its parts. One City is interdependent – no organisation or sector can be all it can be whilst others struggle. One City will set out the future desired with the powers held by partners.

#### **Sustainable Development Goals**

Bristol One City’s economic plans make an explicit commitment to the Sustainable Development Goals of Climate Strategy and Ecological Emergency. The Sustainable Development Goals (SDGs) are a set of 17 goals with 169 targets that were adopted by every country in the world in 2015. They set out a blueprint to achieve a better and more sustainable future for all by 2030. The One City Plan is mapped against the SDGs and contains actions and initiatives that will contribute towards the local and global delivery of these goals.

#### **Facilitating a comprehensive response to COVID-19**

From week one of the pandemic, all the public, private and civic leaders in the One City Leadership met and collaborated on the COVID-19 response. Weekly Business & VCSE Sector Webinars played a central role in the distribution of information and helped to enable Bristol City Council to be one of the most successful councils at distributing business grants.

## The lessons from past urban policy can help us design an effective response

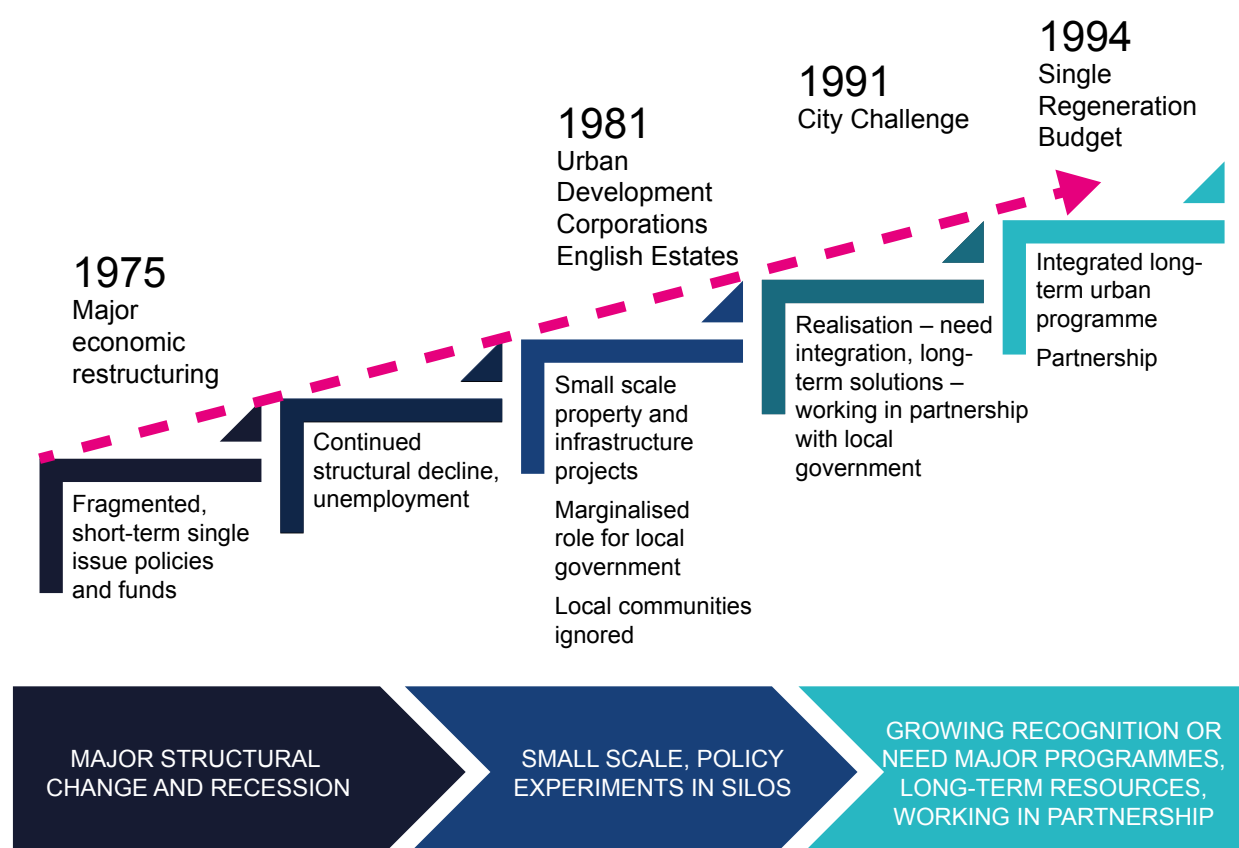
Over a 20-year period from the mid-1970s, an array of fragmented and multiple initiatives had given way to a more effective integrated urban programme by the mid-1990s.

A question to ask ourselves now is – 10 years into a similar policy environment, and scale of challenges as experienced in the 1980s – do we want to wait another 10 years before deciding that integrated urban programmes were the answer all along?

We have been in an era of multiple, short-term single-issue funds and grants before, and policy experience has taught us that this isn't a long-term solution to urban challenges and opportunities. In the 1970s, in response to the impact deindustrialisation and economic restructuring on cities – the inner city white paper put forward an integrated urban policy approach, which was never implemented. Instead, the 1980s witnessed initiatives that were heavily focused on property regeneration, had often limited involvement with local communities and local government, whilst major structural decline and high urban unemployment continued.

Government failed to appreciate the sheer scale of the problems being faced by urban areas in the face of deindustrialisation and failed to provide the resources at the scale required to tackle them. There is a danger that the present Government will make the same mistake in recognising the structural and land-use impacts of COVID-19 and climate change on urban land-use particularly in relation to retail and commerce. As Figure 25 illustrates, it took 20 years to realise that integrated, long-term policy programmes and funding, with local and national government working in partnership – were the solution to the challenges facing urban areas, in the form of City Challenge and the Single Regeneration Fund.

**Figure 25: Urban policy lessons since 1975**



## A new vision for urban recovery and growth

**Our vision is for an integrated programme that delivers recovery and growth, creating successful places in an inclusive and sustainable way**

Our vision is for urban recovery and growth that delivers:

- 1. successful economic restructuring that mitigates against the worst impacts of structural unemployment and job loss**
- 2. successful and relevant urban centres that meet the current and future needs of residents, businesses and workers**
- 3. a step-change improvement in inequalities and ensures that communities benefit**
- 4. sustainable solutions that make substantial progress towards carbon emissions reductions**
- 5. the agility to respond to further challenges and opportunities as they emerge as we continue to deal with the economic implications of COVID-19 and Brexit over the next few years.**

This vision for growth and recovery should be **led by urban councils** working **in partnership with** national government, the private sector and communities, in large-scale, funded programmes that deliver integrated place-based solutions.

**“Funding needs to be provided with objectives relevant to urban areas that let councils decide how to deliver and at what scale”**

Urban council, West Midlands

### **The choice is clear: continue with the current fragmented approach, or implement a large-scale integrated urban policy programme**

Continuing the current approach to local and urban policy would result in a plethora of central government driven top-down funding pots and initiatives that are fragmented into departmental silos. This would continue the competitive system of grants for hundreds (possibly thousands) of capital projects over a short time horizon. It is not even clear if central government has the capacity to appraise, award, manage and audit the thousands of funds and initiatives that would result. These kinds of funding arrangements also make it very difficult to work with the private sector and encourage business investment.

**Our flagship urban redevelopment programme is shovel-ready and will create 22,000 jobs, 12,000 homes, a new university campus and science and technology jobs. It needs public sector investment, across several policy areas simultaneously, to start”**

Urban council, South West of England

By contrast, the aims of the UK Government, to ‘Build Back Better’ – could be better met by a large-scale integrated urban programme. Government departments could allocate funds to an integrated programme that can deliver economic growth and be scaleable and customised to the needs of each urban area, or partnership. Many urban councils have planned mixed use developments that are shovel-ready to deliver housing, jobs, new commercial space, community facilities and training. But they require integrated funding, of scale and over several years to proceed. An integrated urban policy programme would ensure that delivery was based on well-established partnership models of working, bringing together all the relevant stakeholders, including the community. It would offer the opportunity for central government departments to break-down the silos that prevent effective co-operation between them and their respective agencies as they work with local government and the private sector.

## **A Sustainable Urban Futures Fund would provide long-term, large-scale funding for integrated urban recovery programmes**

We propose a policy vehicle – The Sustainable Urban Futures Fund – which could provide long-term, large scale funding for integrated urban programmes. The proposal is for a £7 billion, 10-year funding programme for 50 urban areas, scaleable to each locality (with award values ranging from £25 million to £500 million in total for each area), in a single pot for use on the priorities facing the urban area (whether economy, inclusion, sustainability, housing or infrastructure). It could be allocated to combined authorities, urban councils and/or LEPs on a competitive basis. It could incorporate funds and priorities set out in the Build Back Better plan for growth, and other initiatives such as the Future High Streets Fund, Towns Fund, and Levelling Up Fund.

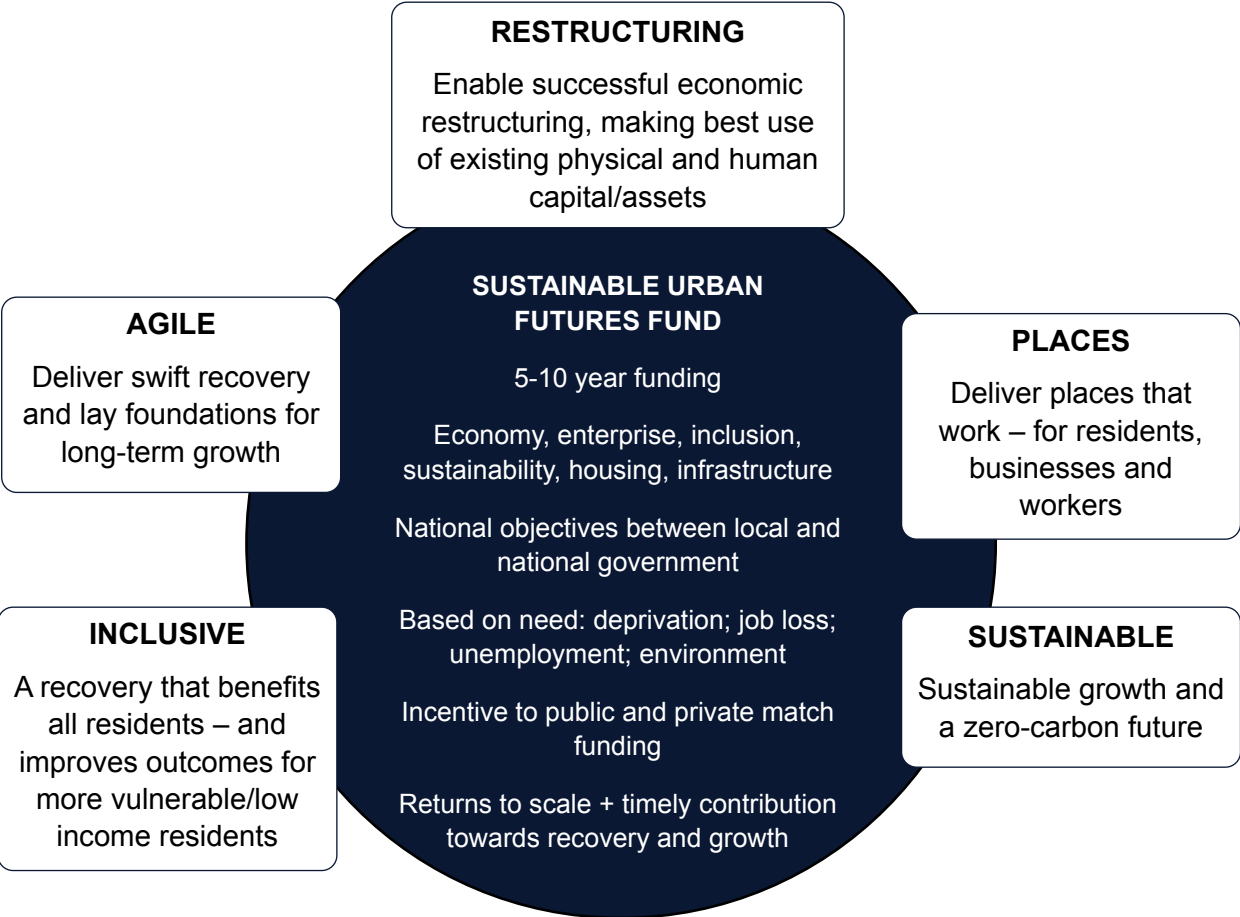
**Councils have the strategic understanding of urban economies, communities and inequalities, coupled with the accountability, due diligence and capability to achieve levelling up. We should work with central government more closely to deliver recovery and growth”.**

Urban council, Greater Manchester

An integrated large-scale fund would attract much higher levels of public and private match funding. If the same formula for match funding as that achieved by the Single Regeneration Budget between 1995/96 to 2000/01 is applied, where £5.7 billion of funding secured £20.3 billion in match funding – we could see the £7 billion Sustainable Urban Futures Fund Generating £24.9 billion in match funding – resulting in a total expenditure of £31.9 billion in England and Wales’s urban areas over the next 10 years. This would make a serious impact on economic growth and recovery.

National objectives could be set between central and local government. Awards would be based on need. This would be in addition to, and differentiate from existing combined authority funding, allocated as a flexible fund designed for place-based integrated programmes to promote sustainable economic growth and recovery after the pandemic. Unlike existing fragmented funding sources, including combined authority funding, the Sustainable Urban Futures Fund would be a unified funding pot that can be increased as need arises with the emphasis on providing resource at scale with flexibility to address local needs. This long-term fund would lead to economies of scope and scale, achieve much higher impacts, gaining more private sector leverage and buy-in than small individual grant schemes.

Figure 26: The Sustainable Urban Futures Fund





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