

Central London Forward: Comprehensive Spending Review 2020– Representation to Treasury

Who we are:

Central London Forward (CLF) is the strategic sub-regional partnership for central London, covering the local authorities of Camden, the City of London, Hackney, Haringey, Islington, Kensington and Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth and Westminster.

Central London is a critical part of the national economy. The 12 boroughs host around one in 10 of the country's jobs, and central London's net contribution to the UK's tax base helps to pay for vital public services across the country. But inequality is pervasive and there are 2.3 million people living in poverty in the capital. Central London remains one of the most economically impacted parts of the country by COVID-19.

Our goal is to improve the lives of residents by working together to drive inclusive growth within central London to ensure they can access the skills, jobs, homes and support required to benefit from our dynamic economy. We do this through our policy research, lobbying activities and employment programmes - including the devolved Work and Health Programme. Our work has focused on employment, skills and infrastructure, and is outlined in further detail in our [Skills](#) and [Inclusive Growth](#) Strategies.

We look forward to working with the Treasury over the course of this government to ensure that central London continues to play a core role in developing a sustainable and inclusive economy for the whole country.

Summary:

Central London has been the most successful economic area in the UK and has driven growth in London and nationally. Our area hosts around 3.5 million jobs – one in every ten jobs in Britain – and has added over half a million new jobs since 2010.

London is unlike anywhere else in the world. It is a vital and thriving city with enormous social, cultural and financial power. The government's recovery planning cannot afford to waste the resources, talent and energy of the capital.

We anticipate that there will be some permanent economic dispersal effects created by the increase in home working but argue that this will not be enough to compensate for lost revenue, or for agglomeration related productivity gains. There is a significant risk that without action the UK loses the 'edge' which a thriving global economic hub brings. This could lead to growth-driving companies moving over the longer term not to outer London or to other UK cities but to our international competitor cities.

CLF welcomes the government's most recent announcements aimed at keeping our residents safe in these difficult times. It is increasingly clear that ensuring the good health of our population is a prerequisite for a stable economy. Economic recovery is only possible if businesses and communities know, feel and can see that precautions have been put in place to prevent and control COVID-19.

It is better to have a slower return to economic growth than risk a permanent collapse in confidence in central London's ability to remain a financial and global hub.

This is a challenging and difficult time to set out a Spending Review, and we urge the Treasury to remain flexible and adaptive in response to forces beyond our control and on as-yet-unknown medical and scientific factors.

National government needs to work together with CLF and our member boroughs, and this includes properly consulting us on the issues that affect us – including the response to COVID-19. Improving transparency and information sharing between national and local government is necessary to ensure we are all using our resources effectively. Working closely with local government, learning from and using our experience of working closely with our businesses and communities, must be a cornerstone of the UK's plan to build back better.

The Spending Review must therefore:

- Recognise the expertise, experience and democratic accountability of the boroughs within London governance.
- Advocate for the positive role of central London in supporting and building a sustained economic recovery in the country as a whole.
- Implement a dual approach to recovery – recognising that a health response is a key part of any economic recovery.
- Enable local areas to protect what makes them places in which people and businesses want to work.
- Foster an inclusive and fairer economic recovery, unlocking the talents and skills of all our residents.

1. Building an Inclusive Recovery

In order to support the economic and social recovery of central London, CLF believes that the government must take a long-term and deliberate approach. It must carefully plan for, protect and where necessary facilitate the evolution of sectors which are most affected, but which are key to London's role as the UK's economic powerhouse. To do this the government must:

- Continue to **strengthen and build public health infrastructure**, including NHS Track and Trace and the coronavirus testing capability. This should utilize local government expertise and experience in this area.
- Prepare for a **gradual and coordinated approach to returning to the office in the Spring**, working with the wider public sector to implement and communicate best practice over the coming year. This should include activity to build a shared evidence-based understanding of how offices, the public realm and transport infrastructure can reduce risk of COVID-19 infection.
- Take a **sectoral approach to support** focused on businesses vital to central London's continued attractiveness as a place to live and work. Industries such as retail, hospitality and culture have not only borne the brunt of the lockdown's impact nationally, they are also key to central London's economic recovery. The government must take a place-based and sectoral approach which should include:
 - An extension of the Job Recovery Scheme or equivalent for key sectors.
 - Provide relief on the high fixed costs of business - including a continuation of the Business Rates holiday.
 - Support for retail and hospitality, including:

- Continued joint working with boroughs to support shopping and dining areas to remain open and COVID-secure over winter. This should include building on licensing variations, infrastructure, pedestrianisation and green space.
 - The provision of capital expenditure relief on the costs of hygiene equipment related to COVID-19.
 - Support for cultural venues and workforce, including:
 - Work with landowners, boroughs, larger venue and pop-up space owners to utilise spaces for outdoor and live performances.
 - Expand the eligibility of the Culture Recovery Fund for cultural institutions to production companies.
 - Enable central London local authorities to use planning policies to prevent cultural assets being converted to other uses.
 - Introduce vouchers for indoor performances based on the Eat Out to Help Out scheme for the hospitality sector, subsidising the cost of theatre tickets.
 - A long-term plan to enable and encourage international tourism, including:
 - A clear strategy for **safe transport hubs** including the development of air corridors to safe countries and COVID-19 testing being made available on all arrivals to our international airports and train stations.
 - **Cancel the end of the VAT Retail Export Scheme**, and using the slowdown in international tourism to develop a digitalised version of the currently paper-based claims system to incentivise tourist spending across the whole UK.
- Work with Transport for London, rail partners and boroughs to **facilitate a safe and sustainable public transport network**. This work should include:
 - A sustainable transport funding package to maintain sufficient levels of public transport and safe operation beyond October 2020.
 - Coordinated messaging on the safety of public transport. This could in Spring be in conjunction with ridership incentives for travel for certain cohorts.
 - Research and best-practice sharing into the most effective methods of reducing COVID-19 transmission on public transport.

2. Sustainable local government finance

Local government's roles in managing public health and as curators of the public realm are more important than ever. Boroughs are often the part of government most ready to help those most vulnerable and in need of support in difficult times. It is therefore right that local government is properly funded and supported to continue this work, and that this is understood as a government priority. CLF had considerable concerns over key aspects of the Fair Funding Review proposals set out prior to the pandemic. The challenges to delivering effective local services and supporting central London's economy have increased as a result of COVID-19 and we strongly encourage Government to look again at all aspects of local government funding.

- Guarantee that **no Council will lose out financially, in real terms, as a result of the FFR**.

- Immediately **open consultations with local government** regarding the detail of the Fair Funding Review, providing clear worked examples of what proposals mean in practice.
- Align the Fair Funding Review with the government's commitment to devolution and sustainable independent local government. This should include:
 - a. Aligning the planned **reforms of business rates** with the wider reforms to local government finance.
 - b. The **devolution of a suite of revenue raising powers to local government**, with local areas given controls over how they are applied.
 - c. Consideration **of fiscal devolution in the English Devolution White Paper**.
- End speculation concerning the replacement of the European Social Fund and the future of the **UK Shared Prosperity Fund**.

3. Supporting residents in a difficult labour market

There is a growing jobs crisis in London, and central London boroughs now have some of the highest claimant count rates in country. Three of Central London Forward's member boroughs are amongst the 26 local authorities where at least one in eleven working age adults are on the claimant count ([IES](#)). This reflects our exposure to shut down sectors and a high incidence of freelancers, self-employed and less secure work. This government must:

- **Rapidly expand employment schemes** to ensure that everyone has access to specialist and intensive support.
- **Devolve support targeted at those furthest from the labour market** to local areas– using a principle of subsidiarity to determine where support should be located.
- Further integration of Government and borough service provision **through co-location of services** with new JCP work coaches. This should be coupled with commitments to co-design JCP activity with local partners.
- Where possible, **employment support should be decoupled from the benefit system**, with eligibility based on desire to work and referrals to specialist support possible outside of the Jobcentre Plus structure.

To prevent economic scarring it is vital that we upskill people with lower level qualifications and people who may wish to move sector in light of the significant labour market changes brought about by COVID-19. Central government must work with local government to ensure we have the resource and tools to do so. Devolution is integral part of this - developing a truly supportive, inclusive skills system

- Increase the **overall spending on Further Education** – including the devolution 16-18 skills provision skills
- **Reform the Apprenticeship Levy**.
- **Devolve and expand funding for the National Careers Service**, enabling the better integration with the devolved AEB.
- Commit to address social care funding and finalise and release the green paper on social care as soon as possible. This should include making a **social care skills and**

employment strategy a critical component of reform in the health and social care sector.

Protect, plan and rebuild central London:

Protect: Central London – worst hit but key to recovery

Like all urban centres in the UK, central London's economy has been severely affected by social distancing and lockdown.

Central London has been the most successful economic area in the UK and has driven growth in London and nationally. Our area hosts around 3.5 million jobs – one in every ten jobs in Britain – and has added over half a million new jobs since 2010. The Central Activities Zone (CAZ) makes an outsized contribution to the nation's economy, with 10 per cent of national economic output generated in an area covering just two percent of London ([Centre for London](#)).

Our economy is based on high value, high skilled professional sectors enriched by a unique cultural, retail, leisure and tourism offer, with both reliant on public transport to bring workers and visitors into the CAZ. All aspects of this are challenged by COVID-19 and the necessary public health responses to the pandemic.

Central London was hit hardest at the beginning of the COVID-19 pandemic, emptying out faster than other UK urban centres when lockdown began and failing to see the same kind of return experienced in smaller cities and towns. This summer, footfall in Blackpool was 141% of pre-crisis levels, while in London this was at only 31% ([Centre for Cities](#)).

While many high value businesses have successfully moved to home-working, and footfall has increased in many outer London boroughs, this shift cannot replace the economic benefits created through central London agglomerations. While a level of dispersal is welcome, there is a significant risk that the UK loses the 'edge' which a thriving global economic hub brings – with growth-driving companies moving over the longer term not to outer London or to other UK cities, but to our international competitor cities.

We urge the Government to work with boroughs to retain and rebuild central London's ability to act as a driver of national growth by enabling investment in London alongside investments in other parts of the country. The UK's economy is not a zero-sum game – London's success brings success for other parts of the country. Central Government should push forward with devolution and give local areas more power and responsibility to stimulate growth to do this. More local control over taxes and public spending would enable more and better investment in local areas - for London and for the rest of the country.

CLF supports the Prime Minister's ambition to 'level up' the UK. Doing so will require recognition of the interconnected nature of our economy and labour market, but also of the significant and imbedded inequalities that exist within, as well as between, regions. Tackling the barriers to an inclusive economy must be the ambition of all parts of the UK.

For central London, the contrast between areas demonstrates how not all residents have benefited from the capital's growth – this must be taken into account in our recovery. Life expectancy between areas is a stark example of this – despite living less than two miles apart

women in the one of the richest wards of Tower Hamlets can expect to live 11.3 more years than their counterparts in one of the poorest. For men this gap is 7.9 years (Census, 2011).

CLF boroughs want to work with national government to build a clear vision of what recovery could and should look like in central London over the coming six to eighteen months.

Plan: Respond to a permanent shift in working practices

We anticipate that there will be a significant and permanent shift towards greater homeworking, with more people deciding to work only two to four days a week in the office.

There are a number of ways in which central London can adapt to this shift to create an innovative and economically productive model of recovery.

Some business may choose to develop a more dispersed model, using smaller offices or rented desks/meeting spaces across London and the country with a centrally located office focused on meeting and event spaces. We expect many businesses will choose to retain a significant central London location to capitalize on our transport links – as the number of days people are required to commute reduces, people may be willing to commute further. This substantially increases the recruitment pool open to businesses and will be a key continued benefit to locating in central London.

A reduction in the average office footprint in central London could also lead to a reduction in office rent costs – encouraging smaller and more innovative organisations to risk taking on centrally located offices.

Crucial to enabling these positive models of inner-city recovery will be steps to protect, rebuild and revolutionise what makes central London an attractive place to live and work. With the right policy interventions and a joint plan with national government we believe that London and other city centres can make even larger contributions to our national economy.

A significant aspect of this approach must be activity focused on central London's cultural, hospitality and retail offer. These sectors have been severely hit by the crisis due to their reliance on commuters and international tourism, and often operate on tight margins. But they will be crucial in maintaining London's position globally and are crucial infrastructure underpinning our economy. They are also key employers, not only in London but through national supply chains.

Facilitating this will take careful, long-term planning and coordination between central government and London's boroughs. We look forward to working with government to deliver this.

Rebuild: Work with local government to shape London's future

The past months have required reactive measures and a quick mobilisation of resources to combat the pandemic and ensure that our residents, businesses and institutions receive the support they need. It is vital that this is built on and that national and local government work together to shape London's recovery. The government must radically increase the level of transparency and joint working, developing robust governance infrastructure, to ensure we can continue to meet the economic and health challenges we face.

Boroughs have local knowledge that allows tailored responses to the needs of their areas. Central Government should ensure that it is consistently engaging with local authorities and organisations such as CLF to make use of this when developing and implementing new

policies and initiatives, or when responding to crisis. Covid-19 has highlighted more than ever how local authorities are best suited to understanding the needs of their populations.

Our member boroughs are also directly accountable to local residents and businesses. Like the Government, our responses to the pandemic have been bold and we have demonstrated that we can take political and operational risks in the long-term interests of our communities.

The work we do with through our public health teams and emergency planning functions, our role as place-makers and protectors of the high street, and the services we deliver for the country's most vulnerable residents, must be understood as vital to the government's COVID-19 response and recovery planning. It is right that local areas are given the powers and funding it needs to create programmes which work for residents.

This work should focus on:

- Greater transparency and improved and timely information sharing between central Government and local authorities – allowing us both to use our resources more effectively.
- Rapid and robust consultation process on new policies, including emergency economic and health responses to COVID-19.
- Clearer governance and partnership structures.

We look forward to working with central government over the coming months to implement these changes.

RECOMMENDATIONS AND NEXT STEPS

Chapter 1: Enabling an inclusive central London recovery

Following the government advice in March to work from home where possible the numbers of people traveling to central London have reduced massively. Due to low resident-to-business ratios Westminster, the City of London and Camden have continued to see a fall in demand.

The easing of lockdown restrictions has seen economic activity increase, but when compared to other global cities Londoners have been much less likely to return to their workplaces. Worker footfall across 63 of the UK's largest town and city centres has remained at 17% of pre-lockdown levels since the end of June ([Centre for Cities](#)).

This has significant consequences for central London's economy. Central London has a large proportion of employers in the financial and professional services sector which have been working remotely over the entire period of the pandemic. However, much of central London's consumer economy remains deeply depressed as people continue to spend closer to home. Analysis from the Eat Out to Help Out scheme by [Centre for Cities](#) shows that larger cities have benefited the least - in London the number of city centre visitors on Monday-Wednesday was just 3 percentage points higher than the same nights in July. In comparison it was 19% higher in Ipswich and 18% higher in Milton Keynes.

A health-based economic recovery

CLF welcomes the government's most recent announcements aimed at keeping our residents safe in these difficult times. It is increasingly clear that ensuring the good health of our

population is a prerequisite for a stable economy. Economic recovery is only possible if businesses and communities know, feel and can see that precautions have been put in place to prevent and control COVID-19. It is better to have a slower return to economic growth than risk a permanent collapse in confidence in central London's ability to remain a financial and global hub.

The government's economic plans must be underpinned by a visible and coordinated health infrastructure aimed at containing the spread and minimising the impact of COVID-19. Without national confidence in the steps the government is taking to contain the virus it is difficult for businesses and communities to act confidently. Local government are supporting this work through our public health teams and our wider service provision but will need the full support and financial backing of government to continue to do so.

This should then be built on through considered and careful planning for a return to office-working. The announcement from the Prime Minister on 22 September calling for workers to work from home if possible, will cause even greater depression to central London's economy. However, CLF recognises that careful balancing is needed to manage public health considerations alongside a return to work. In order to facilitate a safe return to offices, a clear evidence-based strategy is needed in the medium-term.

As a major employer in most central London boroughs, a coordinated approach between public sector organisations including Civil Service departments and Local Government could act as a case study for other sectors in how to plan and prepare for a safe return to the office in a dense urban environment.

- **Recommendation:** Continue to strengthen and build public health infrastructure, including NHS Track and Trace and the coronavirus testing capability. This should utilize local government expertise and experience in this area.
- **Recommendation:** Prepare for a long-term and coordinated approach to returning to the office, working with the wider public sector to implement and communicate best practice over the coming year.
- **Recommendation:** Work with local government and the private sector to build a shared evidence-based understanding of how offices can be gradually re-opened in a COVID-secure manner in Spring.

Retail and hospitality

The hospitality and retail sectors have been some of the sectors most severely affected by the initial lockdown period, continued social distancing, and drops in consumer confidence.

- Nationally 23% of hospitality businesses regard their risk of insolvency as being severe to moderate- the joint highest of any sector alongside arts and entertainment.
- Almost a quarter of businesses (23%) in the accommodation and food sectors saw operating costs exceed turnover at the end of July and start of August, the third highest sector behind education (30.3%) and arts and entertainment (46.9%).

The retail sector has recovered slightly over the summer, but the shape of retail has changed.

- Food and non-store retail sales are up.
- Clothing sales are 25.6% down on February 2020.
- The proportion of money spent online in retail was 28.9% in July compared with 20% in February.

- By mid-July, in-store purchases in central London remained 60% below their January level for apparel and food, but the figure was between 15 and 40% in outer London centres such as Ealing or Bromley ([Centre for London](#)).
- The New West End Company states that in the middle of August footfall in London's West End remained 62% down year on year ([FT](#)).

Central London is experiencing an extremely weak recovery. In an analysis of the strength of footfall and spending recovery in major towns and cities across the UK, London is at the bottom ([Centre for Cities](#)).

There are many factors affecting the future of these sectors in central London. Demand is incredibly subdued as people are not commuting, and international and domestic tourists are not coming to the city. In August just 30% of London workers were back at their desks full time, with nearly half the city's office staff working from home five days a week compared to 20 to 30% in Paris, Frankfurt, Milan and Madrid ([City AM](#)). The interdependency of workers and retail and hospitality business means that until increased levels of commuters return to central London offices these businesses will continue to struggle.

Lack of consumer confidence appears to be persistent, although this may have been affected by the Eat out to Help out scheme. In a recent survey 60% of consumers professed they would be uncomfortable going to a bar or restaurant ([Ipsos Mori](#)). Consumer habits have changed as well – over two fifths (43%) of UK consumers expect to shop more online over the next one to two years for items they would have previously bought instore ([BRC](#)).

Only through being on a path to pre-pandemic levels of city centre visitors will retail and hospitality businesses become sustainable again. There are currently considerable cost pressures on businesses to make their premises COVID secure, continue to meet overhead costs and rent, and employment costs while balancing decreased levels of footfall and turnover.

It is unclear what expenditure and footfall will look like following the summer period where businesses were encouraged to move operations outdoors to meet social distancing requirements and allow the public to move more freely. Many steps were taken to maximise on this, including Camden Council's pedestrianisation of the Seven Dials area, Westminster City Council's road closure measures and introduction of temporary events licenses across the borough. Further investment and support is needed for retail and hospitality in the coming months as Christmas and New Year would ordinarily be a key trading period, particularly in central London with events like Winter Wonderland which has already announced its cancellation for 2020.

CLF recognises the importance of introducing tighter lockdown restrictions in response to the sharp increases in COVID-19 cases. However, introduction of the 10pm curfew for pubs, bars and restaurants and working from home where possible will further impact the hospitality sector and reverse the weak recovery experienced in August. To balance controlling the spread of COVID-19 economic support is needed for the sectors impacted as a result.

- **Recommendation:** Government to work with central London boroughs to continue to support shopping and dining areas to become more accessible, including through better infrastructure, pedestrianisation and green space. Examples of this could include timed closures of roads and expanding the Retail Consolidation Centre developed by [The Crown Estate and Arup](#) to reduce the volume of delivery vehicles.
- **Recommendation:** 'Destination marketing', promoting hospitality and retail hotspots as "COVID-safe" to encourage visits to London.

- **Recommendation:** Sector specific flexible financial support for SMEs, and relief on high fixed costs of business, such as an extension to the Business Rates holiday.
- **Recommendation:** Provide capital expenditure relief on the costs of hygiene equipment for businesses as part of becoming COVID secure.
- **Recommendation:** Providing business support - specifically in offering help and guidance to businesses negotiating with landlords. This could be in the form of advice on financial support, brokering rent / payment holidays or legal support.
- **Recommendation:** Helping businesses to adapt to a new normal. This could include grant funding for investment in digital technology, or for some types of digital training to be undertaken.

The government should consider how international tourism – the lifeblood of many of central London’s largest shopping districts – can return in future. Government must work closely with businesses and local councils to ensure that preparations are made to enable and encourage a sustained return for tourists. This is vital not only for central London but for the UK as a whole – with visits to London not only supporting a significant supply chain throughout the country, but with London acting as a key ‘jumping off’ point for many visitors as part of a longer trip.

- **Recommendation:** The government should develop a long-term strategy for safe transport hubs to bring international tourism back to the capital. Air corridors must be developed to safe countries and the government must ensure COVID-19 testing is available and carried out on all arrivals to our international airports and train stations.

One example of this is the VAT Retail Export Scheme, which will end on 1st January 2021. This means that overseas visitors will no longer be able to obtain a VAT refund on items they buy and take home with them in their luggage on leaving. Given the efforts of high streets will be making over the coming months to retain and rebuild its international markets we would urge government to reconsider this decision. If not, this will be the UK the only European country not to offer tax free shopping to international visitors – driving tourism away from London to competitor cities such as Paris and Frankfurt. This risks not only significant loss of jobs and revenue but wider tax and business rates income.

- **Recommendation:** Given the need to encourage tourists back into city centres from mid to late 2020 the ending of the VAT Retail Export Scheme should be cancelled. The current slowdown in international tourism should be used to develop a digitalised version of the currently paper-based claims system to incentivise tourist spending across the whole UK.

Culture

CLF welcomes the £1.57 billion support package for cultural and heritage organisations announced by the government earlier this year. However, the cultural sector in central London is still in crisis. Entertainment and media union Bectu reported that around 2,700 theatre industry workers have already lost their jobs due to coronavirus, and major regional theatres are also starting redundancy proceedings ([Evening Standard](#)).

50,000 jobs are projected to be lost in the culture sector in 2020, 75% among freelancers ([BOP](#)).

This will continue to gather pace as the Coronavirus Job Retention Scheme comes to an end in October, especially in parts of the cultural sector social distancing is difficult (e.g. theatres and concert halls), those businesses least confident in adapting to a potential post-covid world,

and most dependent on earned income (e.g. box office). This will entail not just a loss of skills and capacity within the cultural sector but 'levelling down' as those most likely to exit artistic careers are those least able to endure periods of low or no earnings.

In these circumstances central London cannot act as a national and international hub for business and tourism as previously. The culture sector is interdependent with domestic and international tourism, and the absence of foreign visitors has been felt most strongly in central London where the cultural offer is significant.

40% of international tourist spend in the UK is within the Cities of London and Westminster, and Kensington and Chelsea ([Centre for London](#)). West End theatres are infrastructure for London's global appeal, drawing over 15 million visitors a year ([UK Theatre](#)).

The West End makes up 60% of annual revenues for UK theatres. In 2019, 18,364 performances took place across London's theatres, drawing in 15 million spectators, bringing in £800 million in revenue and £133m in VAT payments for the Treasury ([UK Theatre](#)).

However, Visit Britain forecast in 2020 there will be:

- A 73% drop in inbound UK visits in 2020 and a decline of 79% in spending.
- A 49% drop in domestic tourism ([Visit Britain](#)).

The continued closure of theatres has had a significant knock-on effect with one in four West End evening restaurant bookings estimated to be linked to a visit to see a show. Businesses in the West End will require additional support until travellers are returning in large numbers.

The longer we go without some safe means of overcoming the need for social distancing (e.g. mass testing or the introduction of a vaccine), the more likely venues are to close. The reduction of social distancing from 2 metres to 1 metres can increase capacity from 30% to 70% for businesses (WPI¹), so the way in which this is applied to indoor cultural institutions e.g. theatres and cinemas will have a profound impact on turnover. However, theatre budgets tend to be based on a breakeven of around 70% capacity ([BBC](#)), so this may not be enough to reverse the effects of the prolonged closure.

Further, in a sector where businesses are struggling to cover overhead costs, it is extremely costly to make adaptations to operations and space to meet COVID-secure guidance and social distancing measures. Small businesses and production companies may lack the financial means to adjust to physically distant modes of operation which will force closures.

Maintaining central London's vitality and reputation as a dynamic and distinctive place to live, work and visit is vital to ensure confidence to return. To do this cultural institutions need to be protected in the medium-term. This will continue the culture sector's significant contribution to central London's standing as a domestic and international destination. Otherwise we will see a lasting diminishment of London's cultural human and physical capital.

- **Recommendation:** Avoid the need for social distancing by introducing Point of Interaction testing (testing attendees on the spot to give a result immediately or within a short amount of time as to whether they have COVID-19) for indoor performances.
- **Recommendation:** Work with landowners, boroughs, larger venue and pop-up space owners to utilise spaces for outdoor and live performances.
- **Recommendation:** Expand the eligibility of the Culture Recovery Fund for cultural institutions to production companies.

¹ Presentation from WPI Economics to CLF, September 2020.

- **Recommendation:** As stated above sector specific flexible financial support for SMEs, and relief on high fixed costs of business, such as an extension to the Business Rates holiday.
- **Recommendation:** Allow central London local authorities to use planning policies to prevent cultural assets being converted to other uses.
- **Recommendation:** Introduce vouchers for indoor performances based on the Eat Out to Help Out scheme for the hospitality sector, subsidising the cost of theatre tickets.

Impact of COVID-19 on central London's labour market

Central London employs a large proportion of workers in sectors which were shutdown during the national lockdown: retail, hospitality, culture and tourism. Retail accounts for almost one in every five employee jobs in Kensington and Chelsea, and there is a strong concentration of jobs in the arts, entertainment and recreation sector in Lambeth, Westminster and Camden ([GLA](#)). The take up of the Coronavirus Job Retention Scheme (CJRS) in these industries has been particularly high. The take up rate in the accommodation sector continues to be the highest in central London at 75% in July. This is followed by the arts, entertainment and recreation sector at 69% ([GOV](#)). We welcome the action Government took to support workers through the CJRS and encourage Ministers to continue to take early and bold actions to support our recovery.

Our central London economy is built on workers and visitors travelling into our area. While commuter and visitor numbers remain low this is having a knock-on effect for people working in dependent sectors like hospitality, retail and culture. The announcements from the Prime Minister on 22 September introducing the 10pm curfew and work from home messaging will further exacerbate this issue.

Many employers have already made redundancies over July and August in line with requirements to make employer contributions to the CJRS. CLF is concerned this is set to get worse as the [OBR](#) predicts that 15% of workers on furlough will not get their jobs back (equating to 67,545 central London residents) after the CJRS ends in October and unemployment is set to rise by a further 12% by the end of 2020.

London has the biggest gap in job vacancies compared to last year at 55%. In contrast to the gradual recovery in job posting trends at UK level, London has been flatlining in recent weeks ([Indeed](#)).

This combination of factors means a high risk of increased unemployment in October and November. To support workers at risk we ask the Government to consider following the action taken in France and Germany to extend pandemic furlough support. This could be an extension to the CJRS in its current form for the hardest hit sectors or introduction of sector specific support after October 2020 possibly in the form of a wage subsidy.

- **Recommendation:** Take a sectorally differentiated approach by extending the CJRS or introducing a different wage subsidy programme to the autumn of 2021 for the hardest hit sectors.

The culture sector employs a substantial number of freelance and self-employed workers. Freelancing in London's cultural and creative industries has increased two-fold in the last decade, with over half of workers in the sector (approximately 56,000 workers) now self-employed ([Centre for London](#)). Not all have been able to access the government's job retention schemes, including the Self-Employed Income Support Scheme. Without additional

support, many will be forced to leave the sector and seek alternative employment. To maintain central London's considerable cultural offer over the medium to long-term, enough support needs to be in place to keep freelancers and other zero-hours workers gainfully employed in the sector. We therefore ask Government to:

- **Recommendation:** Extend and expand the support available for self-employed and freelance workers through more relaxed eligibility criteria to be accessible for micro enterprises and more freelance workers.

Transport

Central London, more so than most other urban areas in the UK, is hugely reliant on public transport to operate. Prior to COVID-19 almost half (49%) of workers in London took trains, trams or buses to work. 15% cycled or walked and 29% travelled by car. Outside of London around 70% of workers travelled to their jobs by car and only 9% used public transport ([Institute for Fiscal Studies \(IFS\)](#)).

However, use of public transport is significantly lower than pre-crisis levels. Ridership on the London Underground at the beginning of August was still 70% below normal levels despite service provision across the network increasing. This coincides with recent survey results that 59% of respondents said they would still be uncomfortable using public transport ([Ipsos Mori](#)).

Implementing public health measures to create a COVID safe environment is essential to ensuring public confidence to use the transport network. To do this TfL has increased operations to full capacity to enable social distancing, has invested in hand sanitiser units, increased daytime cleaning and promotional posters in partnership with Dettol to ensure and showcase public transport as safe to use ([Evening Standard](#)). Clearer and consistent messaging between regional and national government on the safety and appropriate use of public transport to residents and workers is vital.

An effective and affordable public transport network is essential to central London's recovery and for us to continue to contribute to the national recovery. We encourage the Government to work with London to secure a sustainable funding package for transport in London.

- **Recommendation:** Coordinated messaging on the safety of public transport to increase confidence. This could be in conjunction with ridership incentives in Spring for travel from outside London such as free travel for different age groups at certain times, and discounted travel for certain attractions or visits (e.g. theatre tickets).
- **Recommendation:** Work with London to agree a sustainable transport funding package to maintain sufficient levels of public transport and safe operation beyond October 2020.

Chapter 2: Sustainable local government finance

Open up the consultation process for Fair Funding Review

CLF welcomed the decision of the Secretary of State for the Ministry Robert Jenrick to delay the implementation of the Fair Funding Review (FFR) to April 2021. This delay now must be accompanied by a commitment from the Government to work with local government to open the consultation again and create a FFR designed to support inclusive recovery. This is even more important considering the substantially increased pressures on local government finance

due to COVID-19 and long term and significant changes to the role of local government in supporting our residents and business in these unprecedented times.

CLF had considerable concerns over key aspects of the FFR proposals set out prior to the pandemic. The challenges to delivering effective local services and supporting central London's economy have increased as a result of COVID-19 and we strongly encourage Government to look again at all aspects of local government funding.

- **Recommendation:** Immediately open further consultations prior to the formal consultation with local government regarding the detail of the Fair Funding Review, providing clear worked examples of what proposals mean in practice.
- **Recommendation:** As a bare minimum, guarantee that no Council will lose out financially, in real terms, as a result of the FFR. The LGA has stated this 'no detriment' guarantee would only cost Central Government £300m a year, which is affordable within Government's overall fiscal framework.
- **Recommendation:** Align the Fair Funding Review with the government's commitment to devolution and sustainable independent local government. This should include aligning the planned reforms of business rates with the wider reforms to local government finance. This should take into consideration the devolution of a suite of revenue raising powers to local government, with local areas given controls over how they are applied. CLF are keen to work with government and other stakeholders to explore potential next steps.

A new model of sustainable local government finance

Opening fresh consultation on the FFR is the first step towards creating an equitable and sustainable model of local government finance which can meet this government's ambition to build a 'powerhouse economy' and create a long term and sustainable recovery. CLF supports the government's commitment to levelling up the UK. Investment in infrastructure in the Midlands and the North, and work to tackle regional imbalances, helps everyone and will be a cornerstone of any economic plan post-COVID-19. As such, we recognise that central London's economic success means that in any model of fiscal devolution it is right that wealth generated within the capital is used in part to support service delivery elsewhere in the country. A thriving and secure UK economy is key to London's continued financial prosperity.

But the Government's ambition can and must include 'levelling up' London – supporting our economic recovery and tackling the real and persistent inequalities that are holding back too many of our residents and businesses. Giving all local authorities the fiscal powers to shape and fund effective services designed to tackle the often regionally specific drivers of inequality must be a part of this.

We welcome the government's commitment to produce an English devolution white paper, as well as undertaking a fundamental review of Business Rates. This should be used as an opportunity to take an honest and systematic look at how local government in England is funded. Business rates and council tax – increasingly the primary revenue streams for local government - are flawed and unsustainable forms of finance for local government. Careful consideration must be made of alternative approaches to creating a sustainable model of local government finance.

- **Recommendation:** Use the English Devolution white paper and the fundamental review of Business Rates to increase the fiscal powers available to local government.

London also faces unique challenges that disproportionately effect the capital compared to other parts of the country. Homelessness is a key and mounting issue in London. London has 57,000 households in temporary accommodation including an estimated 88,000 children. Seventy per cent of England's households in temporary accommodation arranged by the local council are Londoners ([Trust for London, 2017](#)). London boroughs spend an additional £200 million each year beyond the specific grant funding available. Although we do not have exact statistics on how much Central London boroughs compared to outer London ones, it is likely to be higher. 66% of all rough sleepers were in the Central London Forward area in 2018/19, with 27% in Westminster alone ([St Mungo's, 2019](#)). All these issues are anticipated to increase dramatically over the coming months as the Job Retention Scheme and the ban on eviction come to an end could increase dramatically.

- **Recommendation:** We ask the Government to address three key issues:
 1. To increase overall funding for homelessness services to meet the true costs of the Homelessness Reduction Act 2017 and account for an anticipated rise in need over the coming months.
 2. To deliver a significant increase to the Flexible Homelessness Support Grant, explicitly recognising the higher costs of temporary accommodation in London
 3. To simplify the way that councils can plan for the delivery of homelessness services by reducing the number of ringfenced funds. Councils are best placed to deliver these services in a strategic way, and do not need dedicated pots.

UK Shared Prosperity Fund

Despite commitments to give more information and to consult on the detail of the UKSPF, there remains no certainty on how much the fund will have to distribute, when it will be operational, or what outcomes it will aim to achieve. ESF is a key funder of employment and skills provision in London – vital forms of support needed to enable people to meet the challenges created by COVID-19.

We are concerned that London could lose out in a system that draws money away from economically successful areas. However, the headline measures showing London and the South East's success and productivity often obscure key facts about London such as London's poverty rate of 28%, the highest of all regions in the UK. Among children, this poverty rate rises to 40% ([Social Metrics Commission, 2019](#)).

- **Recommendation:** Rather than using a simple tool such as GVA per head we recommend that the Government use a suite of metrics that will more accurately measure inequality within as well as between regions. These would include the SMC's [poverty measure](#), disposable income levels, the indices of multiple deprivation, the real house price index and other measures of economic wellbeing.
- **Recommendation:** We support [ERSA](#) in asking the Government to guarantee that there will be no funding gap between the closure of ESF funding and the distribution of UKSPF, and that funding for employment and skills support allocated from the UKSPF will not fall below levels that would have been received through ESF funding had the UK remained in the EU
- **Recommendation:** We urge the Government to devolve the SPF budgets locally to groups of boroughs, or at least ensure a greater role for all London boroughs in UKSPF decision making as [recommended by the IPPR](#), in order to develop

employment support targeted to local needs. It is important that in London the UKSPF is not devolved simply to the GLA when other more smaller geographies are better placed to develop truly local solutions. Devolving to the GLA would mean a continuation of the way that the ESF is currently distributed.

Chapter 3: Supporting residents in a difficult labour market

Employment support

There is a growing jobs crisis in London, and central London boroughs now have some of the highest claimant count rates in country. Three of Central London Forward's member boroughs are amongst the 26 local authorities where at least one in eleven working age adults are on the claimant count ([IES](#)). This reflects our exposure to shut down sectors and a high incidence of freelancers, self-employed and less secure work.

COVID-19 has exacerbated existing challenges in central London – high inequality, poverty, and persistent pockets of low employment. Across London boroughs with the highest rates of furloughed residents are also home to the highest proportion of low-income residents. This means London's low income workers have been heavily affected by the fall in activity due to the pandemic ([Centre for London](#)).

The government has made welcome steps to tackle this crisis but the damage to the labour market is severe. Bolder action is needed now to adequately address the rising levels of unemployment, support the many residents out of work and protect existing jobs.

- **Recommendation:** Rapidly expand employment schemes to ensure that everyone has access to specialist and intensive support.

It is crucial that the right employment support is in place to deal with the current and predicted in unemployment and meet the unique challenges facing central London's labour market. Government must embrace the principle of subsidiarity and localise employment support where it can – taking a national or generic approach risks failing to take in to account significant regional variation in both labour markets and public health impacts of COVID-19.

Economic crises lead to long-term scarring in terms of employment, skills and progression, particularly for economically disadvantaged people. Using local government expertise, building on learning from the devolved Work and Health Programme to deliver personalised support and access to training and skills, we can support those most impacted and furthest from the labour market.

Learning from previous recessions, where employment creation resulted in increases in part-time, insecure or precarious employment ([UKCES, 2014](#)), employment support must prioritise enabling people to access sustainable, high quality jobs. Local authorities can continue to work with local businesses, identifying meaningful employment opportunities to connect residents with, and work with growth sectors to create additional employments. This will not only provide a seamless transition for employment programme participants into jobs but help to grow and regenerate local economies.

- **Recommendation:** Employment support for higher need or excluded people should be devolved to local authorities based on a principle of subsidiarity. This should be supported by a sub-regional governance structure within London.

With the recruitment of a sizeable number of additional JCP work coaches, there is a real opportunity for greater coordination and collective action between local authorities and Jobcentres to identify the barriers to sustainable employment people face. Co-locating more employment and local authority services where possible will further align and make for a cohesive offer of employment support. This will work in tangent with the planned expansion of the national careers guidance service, which will enhance connectivity for residents to careers and IAG services, training providers and skills pathways.

- **Recommendation:** Further integration of Government and borough service provision through co-location of services with new JCP work coaches.
- **Recommendation:** Commit JCP to co-design activity with local partners, and co-design support to help those with the greatest health needs stay in work.
- **Recommendation:** Where possible, employment support should be decoupled from the benefit system, with eligibility based on desire to work and referrals to specialist support possible outside of the Jobcentre Plus structure. CLF would be happy to explore this further with officials.

Skills devolution

Covid-19 has had a disproportionate impact on certain sectors and communities over others. The impact of the crisis could be greatest on those who have fewer qualifications, GLA analysis found that around 35% of London workers facing economic risk do not have a Level 3 (GCSE, A Levels, or equivalent) or above qualification, compared to 21% for workers in non-high-risk jobs. ([GLA, 2020](#)).

People with low level or no qualifications are more likely to face long term unemployment following a recession. To prevent economic scarring, it is vital that we upskill people with lower level qualifications and central government provides us with the capacity to do so. Local authorities' Adult Community Learning services provide a valuable service in upskilling residents with low or no qualifications; 126,490 people accessed Community Learning in London between August 2019 and April 2020. ([GLA, 2020](#))

CLF supports the recommendations made in the GLA and London Councils' Call for Action on employment and skills policy ([GLA, 2019](#)). It presents the GLA and London Councils' vision for an integrated, properly funded skills and employment system. It argues that the three key challenges London's skills and employment system are:

- London's high levels of poverty, exclusion and inequality.
- Brexit and other structural changes which will impact the skills and employment opportunities in the Capital.
- London's skills and employment systems are under-funded and fragmented.

We support the Call for Action's asks for further devolution, including around 16-18 skills, apprenticeships and careers advice. In the long-term, we support the LGA and LWI's '[Work Local](#)' approach, which pushes for combined authorities and groups of councils to have the powers and funding to plan, commission and have oversight of a joined-up skills service, in partnership with local employers and training providers. Analysis for the LGA reveals that across a local area, Work Local could each year result in 8,500 more people in work and 6,000 increasing their skills. For a medium sized combined authority, this would bring £280 million benefits to the public purse alongside a £420 million boost to the economy. For London, these benefits would likely be even higher.

Devolution is integral to developing a truly supportive, inclusive skills system. It is equally critical that extant local Adult Education Budgets (AEB) are expressly supported and funded in any national change to FE Funding. There is simply not enough money in London's budget to fund the many types of learning that Londoners need in order to participate and progress in London's competitive labour market, particularly when demand for learning will increase as we continue through the Covid-19 crisis due to an increase in people changing sectors and young people wanting to stay in education. London has a highly skilled workforce – over 50% of employees in central London have a higher-level qualification, compared to less than 30% in the rest of the UK. There is a risk for much greater disparity and inequality between individuals in London if we do not have the funds to reskill and upskill our residents.

As devolution and the 'levelling up' of other regions, a potential reluctance to move to large cities during Covid-19 draws more of these highly skilled employees to other parts of the UK, it is important that London is not neglected. This will be made more important due to reductions in immigration due to Brexit and barriers to international travel. Rather than relying on previous patterns – drawing in large numbers of young graduates from other parts of the country and abroad – this should be an opportunity to deliver these skills to London residents. London needs a FE system that matches some of its high growth sectors (including financial and professional services, health and social care, and hospitality). Investment in this will be essential, and the Government should increase London's Adult Education Budget in line with much-needed increases to other devolved areas' education budgets.

- **Recommendation:** We urge the government to increase the overall spending on Further Education in light of COVID-19, and to make this increased budget available through the already devolved Adult Education Budgets to ensure that a new skills system supports local needs. Our Adult Community Learning services must benefit from any increase in funding to properly cope with increased demand, and provide the skills for employment needed to those most effected by the current situation.
- **Recommendation:** We encourage the government to take devolution of skills training further, and devolve 16-18 skills, part of the apprenticeship levy and careers advice. The latter two are discussed in more detail below.

Reform of the apprenticeship levy

Apprenticeships have been hit hard by the Covid-19 pandemic. Between 25 March and 30 June this year there have been 38,110 fewer apprenticeship starts than the same period last year, a decrease of 52.3%. ([DfE, 2020](#)). More than ever we need to support good apprenticeships to give people the skills they need to get into better employment, however, the apprenticeship levy introduced in April 2017 has had limited success and we would welcome reform.

A report into how apprenticeships are used by London's businesses shows that they are currently under-utilised, and that London employers support further skills devolution. In the 2019 report, only 53% of levy-paying businesses indicated that they expect to use apprenticeship funding over the next year, with nearly a third saying they do not plan to do so. This is likely to drop further due to the impact of Covid-19. Businesses overwhelmingly agreed that local councils should have the powers and funding to integrate employment, skills, and apprentices. ([London Councils, 2019](#))

- **Recommendation:** We follow the Learning and Work Institute's recommendation to devolve the top-up funding from national government to local areas ([LWI, 2019](#)). This

would allow local areas to vary the subsidy by sector, by level or by age, in order to stimulate employer investment where it is needed most.

- **Recommendation:** Reform of the Apprenticeship Levy is needed so that it delivers on its own objectives. In order to do this, it may be necessary to decrease flexibility in some respects – e.g. by ringfencing a portion of levy funds for groups most in need of training, or sectors most in need of skilled professionals – and to increase flexibility in others, e.g. by making part of the levy available for the cost of administration of an apprenticeship programme.

Careers advice and guidance

Prior to the Covid-19 crisis, many central London residents, especially those from vulnerable groups were not accessing quality careers information, advice and guidance (IAG). Now with 2.74 million claimants, IAG services are under increasing pressure ([IES, 2020](#)). Though we welcome the government's decision to provide an extra £32 million of funding for the National Careers Service for two years, this funding must be sustained beyond this period. For many, economic scarring caused by long periods of unemployment lasts longer than two years, especially for people with significant barriers to entering, sustaining and progressing in work; this cohort will require long-term support.

National government's planned review of careers advice and guidance should be used as an opportunity to put local areas at the centre of this review, and of the newly designed system.

- **Recommendation:** To commit to funding increase for the National Careers Service beyond the proposed two years.
- **Recommendation:** We urge government to devolve funding for adult careers services to local areas, alongside the already devolved AEB. For London, this would start with devolving London's budget for the area-based National Careers Service Contract to the GLA. This would help to better integrate the capital's IAG and Skills provision, to better suit the unique needs of our residents.

Skills in the Health and Social Care Sector

This government plans significant changes to the Health and Social Care system. A skills and employment strategy must be an integral part of this. During the Covid-19 response, over 700,000 people registered as an NHS volunteer, and the Voluntary, Community and Social Enterprise sector saw significant numbers of people volunteering their time to support their communities. The Health and Social Care sectors are now arguably more visible and appreciated by the public than ever before. The sector is vital for employment nationally, with 12.73% of employment in England being in it, representing around 3 million people, making it the second largest employment sector in England. In central London the health and social care sector is the largest employer in many of our boroughs. Sadly however the quality of many jobs in the health and social care sector are still poor. Workers are faced with low pay, organisations with low retention rates, and a complicated qualification system makes it difficult for employees to progress, and to move between jobs.

We need to work to change the sector and improve jobs within it and to streamline and standardise training. This would help us to not only capitalise on the sector's new image and attract people to employment within the sector but also to provide them with the means to better progress within it.

In London, care workers' salaries are rising at such a low rate that they are now considerably below the London Living Wage. The pay differentials between entry and senior level roles are minimal, and turnover across London is at 27.5%, the equivalent to around 48,000 workers per year. ([Skills for Care, 2019](#)). A newly designed health and care system should put employment and skills at its centre and embed a training system focused on progression, with legitimate career paths and routes to progress into highly-paid, stable roles. Covid-19 presents an opportunity to make good change in the sector, with many people now looking favourably at social care.

Government must also work to ensure safety within the sector. Social care workers are amongst the highest risk occupational groups ([Health Foundation, 2020](#)). Plans for how to make the sector safer for workers and service users should be included in any reforms.

CLF are currently in the process of developing an outcomes agreement with boroughs, employers and training providers in this sector. The outcomes agreement aims to better match training providers' provisions with the needs of employers, create a more cohesive training system, improve jobs and progression in the sector, and to help people facing barriers to secure employment within health & social care. Ultimately it aims to improve the quality of care given within the sector.

We urge the Government to:

- **Recommendation:** We urge the government to continue their commitment to address social care funding and urge them to finalise and release their green paper on social care as soon as possible.
- **Recommendation:** Make a skills and employment strategy a critical component of reform in the health and social care sector.
- **Recommendation:** Ensure safety of workers and service users is considered within all plans for the sector.