

KREAB *briefing*

COVID-19

o u t l o o k 05 June 2020



The UK is now starting the process of relaxing lockdown measures and looking at how it can move the economy back to some form of normality. This briefing outlines the developments over the past week and builds on our previous briefings to look at how the UK is likely to proceed.

Overview

All regions of the UK are now starting to relax their lockdown measures. The focus is turning to keeping the infection rates down and speeding up economic recovery.

The Government had hoped its smart phone app, which assists with tracing and contacting those at risk of contracting the infection, would be up and running at this stage, however it has been forced to start its system with only manual tracing. This has been done in other countries and has been shown to have some effect.

The absence of the app, and the fact that while testing results are still not being delivered fast enough, has led to some concerns that the lockdown measures are being relaxed too quickly.

Many scientists, including some on the Government's SAGE advisory group have stated their view that it is too early to start this relaxation process.

This has allowed a narrative to develop within some sections of the media and public opinion that the Government is not following scientific advice. The Government is partly to blame for this with its insistence of talking about following “the science”, when science is in fact a series of competing ideas and theories which are tested against the available evidence until the mechanisms are clear. Given that this is a new coronavirus, science has not, and could not, reach a consensus at this stage.

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When the disease was growing exponentially there was broad consensus, although not unanimous, that strong lockdown measures were required. As infection rates fall, how and when to ease these measures is much less certain and depends on theories both about how the virus behaves and how people interact with it. There is a much broader range of scientific opinion now and dissenting voices are receiving more attention. Despite this, the Government also has scientific advisors telling it the relaxation process is correct. Some think it could go even faster.

The decision has to be a political judgement. Even the scientists who believe the Government’s decision is correct acknowledge the safest option in terms of the public health threat from Covid-19 would be to maintain the lockdown measures in full until a vaccine or treatment becomes available. However, there are other health threats from the lockdown, such as mental health issues and non-treatment of other conditions, which have to be considered. Most pressing is the effect on the economy. It would not be sustainable for the Government to continue economic support measures through a year of lockdown. Economic collapse also has health consequences.

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The Government’s task for the coming months will be a balancing act between competing priorities and sometimes conflicting advice. It will certainly not get this right every time. There may well be steps backwards rather than smooth progress towards controlling the disease.

As we have previously outlined, the most accurate way to make international comparisons about the effect of the disease in each country is by looking at excess mortality per unit population, which is the number of people who die compared to the long-term average.

The need for a long time frame is to allow for all data to be reported and to remove any inaccuracies. Since our last report, the UK and Spain have been trading places at the top of the table as latest data is released from each country. Ultimately, we will need to look at a year’s worth of data to make final comparisons.

The table below shows the current figures for major economies for which data is available.

Country	Excess Mortality	Excess Mortality/million	Date of most recent data
UK	62100	932	22-May
Spain	43500	927	19-May
Italy	46700	774	30-Apr
Belgium	8700	759	10-May
Netherlands	9800	567	13-May
Sweden	4500	440	19-May
France	24400	364	17-May
Portugal	2600	253	26-May
USA	81500	248	2-May
Switzerland	1900	222	17-May
Austria	1300	147	17-May
Germany	7300	89	26-Apr
Denmark	300	52	6-May
Israel	0	0	22-Apr
Norway	0	0	3-May

Another issue we have previously reported on is the extent to which the virus, while more prevalent in the capital, has spread more widely across the UK regions than it has in many other countries. On the latest excess mortality data where we have access to a regional split, the standard deviation for the UK regions is 40% lower than that for French regions. The standard deviation for Spanish regions is even higher, four times that of the UK. For all the UK Government's talk of the potential for regional differentiation of approaches to the lockdown, this strategy is much less likely to be warranted in the UK than other countries that have been badly hit by Covid-19.

Current UK situation

The revelation that Boris Johnson's chief advisor Dominic Cummings had travelled to County Durham when he and his family had Covid-19 completely dominated the agenda and took almost all scrutiny away from Government action on the epidemic in the UK. Ultimately, this is a political issue and Cummings' many enemies within the Conservative Party and the civil service have seen this as an opportunity to get back at someone whose aims and motives they do not share, or as pay back for past slights. Arrayed against them are a group of fiercely loyal believers, many of them former Brexit campaigners, and a Prime Minister who views Cummings as vital to delivering Brexit and to changing the way Government and the economy operates.

While there has been much focus on whether or not Cummings broke the lockdown rules in travelling to Co. Durham to ensure his child could have care available, what this really shows is some of the weakness in the ambiguous way the regulations were written. They can be used to absolutely prove this was against the rules and absolutely prove it was in accordance with the rules. Having been produced at high speed without some of internal challenge and testing that would normally occur, they clearly lack some internal consistency, allowing both sides of the argument to claim the same regulations prove them right. There is certainly a lesson the Government and civil service will take from this in planning regulations for any future disease and indeed for future management of this one.

It is now certain that unless any further inconsistencies in Cummings' story emerge then Boris Johnson has no intention of asking his adviser to resign.

Progress of the disease

The rate of both Covid-19 infections and deaths continues to decline, very closely mirroring that of Italy but about three weeks behind. The major issue with the spread of the disease still remains in care homes. Community infections are now very low.

Infection rates are showing a regional variation, with the latest research from Kings College showing London and surrounding regions now has infections at about half of those further north. The data from Kings' self-declaration tracking app shows that in London there are currently 134 new infections every day per million people, with the lowest rate being in the South West at 122 infections per million people. The highest is in the North West at 315 infections per million. These are central estimates with quite wide confidence intervals, but they do give a clear indication of spread.

Lockdown relaxation

The Government was due to review progress and make announcements on the next stage of the relaxation of the lockdown measures on 28 May. However, it chose to make announcements throughout the week as part of its media management strategy for the Dominic Cummings situation.

The Government stuck with its proposals for primary schools to start limited reopening on 1 June but as the final decisions lie with the schools themselves, as well as local councils that still control many of them, the numbers opening may be limited initially.

Car showrooms and non-food sections of markets were also be allowed to open on this date. Additionally, people were allowed to meet outside in groups of up to 6 as long as social distancing is observed between people from different households.

However, on the basis of scientific advice, it has decided that some elements of this stage 2 release will instead take place on 15 June.

The main measure announced is that non-essential retail will be allowed to re-open from 15 June. These shops will be required to operate with social distancing in a very similar way to the operation of supermarkets at present.

The retail sector has some concerns they will not initially have enough footfall to justify bringing workers back from furlough to re-open their stores. Therefore, many high street chains are looking at a phased approach starting with their historically more profitable stores.

These measures apply only to England, but Northern Ireland, Scotland and Wales have announced broadly similar changes to the rules which are now in effect, apart from Northern Ireland where the changes are only from 8 June. While there are small differences to who can meet now, the main difference is that outside England schools will not re-open until August in Scotland and Northern Ireland, with Wales yet to set a date.

Test and Trace

The Government has now recruited 25,000 people to operate its system for identifying, tracking and tracing people who have been in close contact with people who have the disease, which it is now calling Test and Trace. The system has now started to operate, but the NHS phone-based tracing app which it had heralded as the core part of the system will not be ready until later in the month at the earliest.

Scotland is launching its own system this week named "Test and Protect". The Scottish system is based on universal testing on demand and human tracers to put

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anyone who has been in close proximity with someone testing positive, into quarantine. It will not have a tracking phone app at this stage.

In Wales, the system is called “Test, Trace, Protect”, and in Northern Ireland their scheme is very similarly named “Test, Trace and Protect”. Both systems are based on manual tracing rather than using a phone app.

Extending the Furlough scheme

As expected, the Chancellor, Rishi Sunak, has announced an extension of the furlough scheme through to the end of October, with support gradually tapering off.

It had been thought businesses would have to contribute 20% towards the cost from August, with that proportion increasing over time. However, the changes to the scheme announced by Sunak are actually much more generous than anticipated. In August, businesses will need to pay the employer national insurance contributions for people on the scheme, as well as their pension contributions, but the Government will continue to pay for 80% of staff wages.

Only in September will companies have to pay some of their employee wages, and then only 10%. This will rise to 20% in October.

Outlook and future government action

In the short term, the situation with Dominic Cummings is affecting Government action as the news management operation is strongly influencing the relaxation of lockdown measures, especially the timing of announcements. The stage 2 changes were originally due to be announced on Thursday 28 May, but due to the need to distract the media, several measures were announced during the week.

The Government’s hope is that the controversy will fade. Should the need arise, it may well bring forward announcements to seek to change the news agenda.

As highlighted in our previous report, while the Government outlined three stages for the relaxation of lockdown it was likely this would be a very broad concept with measures potentially being brought in piecemeal or as pilots. The Government were explicitly planning this for stage 3, but in the end have also done this with stage 2.

Although the measures for stage 2 are being enacted at short intervals, this is clearly not so that the Government can see the effect on the infection rate, as that would take at least three weeks to manifest. Rather, it is to give them something to deliver every week for three weeks to show the public there is progression towards a more normal life. Government social policy experts believe this is helpful in promoting observance of the rules. It also has the added advantage of keeping the media busy and, they hope, not concentrating on Cummings.

The normal procedures of media and political management are again having a greater influence.

Epidemiologists have estimated what might happen to the R rate of infection spread in response to the changes the Government are making. However, there is significant uncertainty about these estimates. Taking many smaller steps is a safer way to proceed than big jumps. Media and political management are also playing a greater part in proceedings.

Tracking the infection

As highlighted above, the Government's test and trace programme is now in operation but without the smartphone app that was intended to be part of the system. Government regards integrating the app into the system as vital to its efficiency. It is the only way to identify people who have been in close proximity with those who have the disease when they are not known to each other. This will be vital once people start to use public transport in larger numbers and certainly when parts of the hospitality sector start to open.

The Isle of Wight has very low levels of infection, so the app testing is slow.

The app remains under test on the Isle of Wight, but the Government is wary of rolling it out nationwide until they are certain it will work. Any problems with it will reduce uptake and effectiveness.

Kreab understands the app has proved to be stable in operation, but some technical issues have been identified and are now being rectified. These relate to potential security flaws and some functionality issues, especially the ability to add the result of a test.

However, the main issue is that the island has very low levels of infection and most of the current cases are in care homes. In these circumstances, the number of incidents when someone with the virus spends sufficient time with an app user to trigger an alert is very small. This means it is taking much longer than anticipated to prove it works correctly.

The developers are confident they will be in a position to deploy the app more widely by the end of the month.

Hotspot identification

The fundamental aim of the test and trace system is to continue to reduce the infection rate across the country. The key to that will be the rapid identification and suppression of hotspots for the spread of the virus.

Very localised restrictions could be applied to specific towns, or small neighbourhoods or even around a specific business.

As we have previously highlighted, bulk self-diagnostic phone apps such as that run by Kings College have been able to identify hotspots in the infection rates at a very local level and the Government is integrating this data into its systems. Once the NHS app is launched, it will be collecting similar data, so the speed and accuracy with which hotspots are identified will be enhanced.

Such data will be used to modify the lockdown rules. This could result in sectors such as non-essential retail being restricted again, should a systemic risk be identified. More likely is that particular geographical areas could be identified as having increased levels of transmission. Very localised restrictions could be applied to specific towns, small neighbourhoods or even around a specific business.

Business financial support

As highlighted above, the Chancellor has announced changes to its furlough scheme including an end date of 31 October.

Support remains equally available to all companies regardless of the sector in which they operate. However, Treasury is well aware that as the lockdown measures are relaxed some sectors will recover faster than others, and support will need to vary.

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At the moment, it is not clear which sectors are likely to need extended help. Maintaining the support at a fairly high level gives the Chancellor time before he has to decide how to split the scheme for different types of companies. Businesses operating in the domestic tourism sector are likely to need support until next Spring at the earliest, whilst manufacturing businesses on the other hand are not likely to need it for much longer.

There are, however, some business sectors where it is unclear how long support will be required. For example, in the hospitality sector, it very much depends on how the lockdown measures change. There are also factors based on location e.g. hotels in large cities are likely to recover

faster than small bed and breakfast businesses in rural areas, which are entirely dependent on tourism. Defining a modified scheme to meet the changed needs of the economy will take Treasury officials some time.

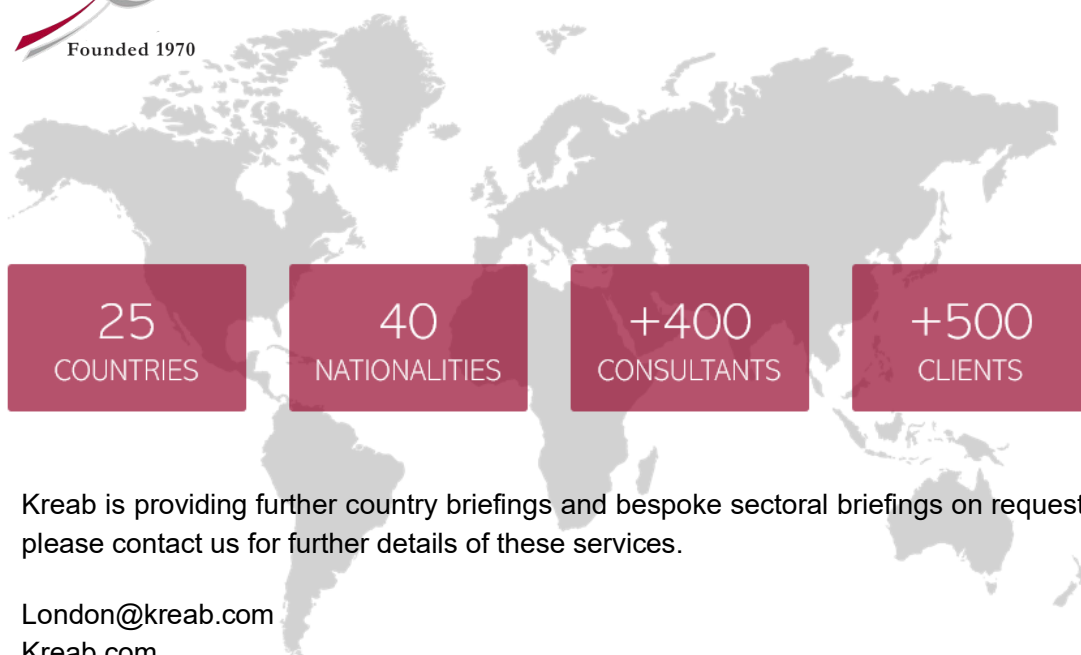
The current changes need to be viewed as the Treasury playing for time, and whilst Government support will extend beyond the end of October, its form is very likely to change.

Transport restrictions

As previously reported the Government intends to bring in a system of 14-day self-quarantine for all arrivals in the UK other than from Ireland. This latter provision is not reciprocal and people arriving in Ireland from Great Britain will have to quarantine.

This measure is extremely concerning for the travel and tourism sectors who have been lobbying the Government furiously to modify it. The industry has found a sympathetic ear on the Conservative backbenches and with many Ministers. Some kind of compromise now looks inevitable.

Kreab understands some form of reciprocal arrangement, based on risk assessments of the levels of infection in each country, is likely to be introduced. Several European governments are in active discussions with the UK about putting such arrangements in place. One obvious difficulty the UK faces is that, with the highest level of active cases in Europe, many countries are wary of entering into any kind of reciprocal agreement with the UK for the time being.



Kreab is providing further country briefings and bespoke sectoral briefings on request, please contact us for further details of these services.

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