

Report to: West Yorkshire Combined Authority

Date: 22 June 2023

Subject: **Crisis in the Cost of Living and Doing Business**

Director: Alan Reiss, Chief Operating Officer

Author: Tom Purvis, Economic Analysis Manager

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this Report

- 1.1 To provide an update to members on the latest economic and business intelligence related to the cost of living and doing business. This will include an update on the Combined Authority's interventions to help tackle the crisis.
- 1.2 To provide an update to members on the delivery of policies aimed to help businesses and individuals with the crisis in the cost of living and doing business.

2. Information

Macroeconomy

- 2.1 The Monetary Policy Committee raised interest rates from 4.25% to 4.5% in May 2023. It was decided by a margin of 7-2 to increase the rate. The decision was taken in response to inflation being more persistent than anticipated earlier in the year, predominantly due to food inflation remaining high. Inflation is now expected to remain above 2% until the second half of 2024.
- 2.2 Alongside the decision to increase interest rates, the Bank of England released a Monetary Policy Report, which provides updated forecasts and commentary covering their view of the economy. The highlights are as follows:
 - Food and service-sector inflation is forecast to remain stubbornly high;

- By the end of 2023, inflation will still be at 5.1%;
- The UK economy is set to grow by 0.25% in 2023, then 0.75% in 2024 and 2025;
- Real post-tax household income growth of 1% in 2024 and 2025 (leaving us worse off than pre-inflation still); and
- Unemployment to increase to 4% in 2024 and 4.5% in 2025.

2.3 In April, the UK entered the second year of a six-year freeze in the cash value of Income Tax thresholds. As a result of the freeze, the IFS estimates that real disposable household income will be 1.4% lower than it would have been if thresholds went up in-line with inflation. This is the largest tax increase since the Howe Budget in 1979.

2.4 The current Energy Price Guarantee (£2,500 for the average household using the average amount) was extended by three months at the March Budget. However, from July the Energy Price Cap will fall to £2,074, meaning the EPG will end. Cornwall Insight has predicted a price cap of £2,098.22 for Q4. Whilst this is a welcome reprieve, it is worth noting that in 2021, the cap was around £1,200.

2.5 In the 12 months to April 2023, prices increased by 8.7%, down from 10.1% between March 2022 and 2023. However, inflation remains a key challenge, as this drop was predicted due to the energy price spike following the initial invasion of Ukraine falling out of the data. Food inflation is still running at 19% with vegetables and budget-label food experiencing increases of between 20% and 30%. Core inflation, CPI minus food and energy, increased from 6.2% in March to 6.8% in April. Service-sector inflation also increased from 6.6% to 6.9%. This increases the likelihood that the Bank of England will continue to raise interest rates.

Regional Data

2.6 Despite government action to extend the EPG for three months, West Yorkshire is still struggling with fuel poverty. In October 2022, 30% of households were anticipated to be in fuel poverty, compared with 22% in England. Following the Budget, and the end of the £400 rebate scheme, an estimated 33% of West Yorkshire households are now in fuel poverty, compared with 25% in England. At the March Budget, there was additional means-tested support announced for household energy bills. Without this support, 37% of West Yorkshire households would have been in fuel poverty. The breakdown by local authority is below:

	October 2022	April 2023
Bradford	31%	35%
Calderdale	29%	32%
Kirklees	29%	33%
Leeds	30%	33%
Wakefield	29%	32%

2.7 Food poverty also continues to be an issue for our region. Food bank use increased from 156k to 201k across Yorkshire between 2021/22 and 2022/23. Inflation in budget foods is higher than the headline rate of inflation for food, meaning that the poorest are at the sharpest end when it comes to food poverty. Bank of England analysis from June last year predicted that the bottom 20% of households nationally (33% in West Yorkshire) would have no money left after essential spending, so prolonged food inflation will hit our region hard.

2.8 Across England, 22.5% of students are eligible for free school meals. These are the students most at risk of having to deal with the consequences of their household being in fuel, food or any other poverty. Across West Yorkshire, the rates are as follows:

Bradford	27.1%
Calderdale	23.7%
Kirklees	25.1%
Leeds	25.4%
Wakefield	22.4%

2.9 Seasonally adjusted employee numbers show West Yorkshire experiencing a decline from March to April 2023. There was a decline of 2,677 employees (-0.3%), taking employee numbers back to October 2022 levels. This compares relatively well to the national figures as employee numbers nationally declined by 0.5%. All districts within West Yorkshire experienced a decline: Bradford (-0.5%), Calderdale and Kirklees (-0.3%), Wakefield (-0.2%), and Leeds (-0.1%).

2.10 Across West Yorkshire there are 347,300 people that are economically inactive. Of this group, 76,200 are looking after family (21.9%), 87,100 are long-term sick (25.1%), and a further 5,500 (1.6%) are temporarily sick. Across England, these percentages are 20.3%, 24.6% and 2.1% respectively, meaning that West Yorkshire has a slightly higher percentage of economically inactive people that are looking after family or are long-term sick.

2.11 Median pay in West Yorkshire increased by £21 to £2,091 per month (+1%). Pay across the UK increased by 0.7% month on month, however, the median is higher than West Yorkshire (£2,233). However, from April 2022 to 2023, median pay across West Yorkshire increased by 7.7%, broadly in-line with the national average but lagging inflation. Median pay by district is as follows:

Bradford	£1,967
Calderdale	£2,064
Kirklees	£2,064
Leeds	£2,174
Wakefield	£2,152

2.12 The out-of-work claimant count across West Yorkshire hit 73,395 (4.9% of the working-age population) in April 2023. In February 2020, the number was 56,475 (3.8%) and in October 2022 it was 67,310 (4.5%). Compared to the

out-of-work claimant count across England, West Yorkshire has done relatively worse. In England, the rates were 3%, 3.6% and 3.9% in the same respective time periods. The out-of-work claimant count rates as of April 2023 for the districts are below:

Bradford	6.8%
Calderdale	4.4%
Kirklees	4.5%
Leeds	4.6%
Wakefield	3.7%

- 2.13 The monthly count of online job postings across West Yorkshire has fallen for three consecutive months, although vacancies still remain relatively high. There were 30,200 new job postings in April 2023, 12% lower than March 2023, but 7% higher than April 2022. This fall in job postings was experienced across all five West Yorkshire districts. The biggest reductions were for jobs relating to Information Technology, Business Management and Operations, and Healthcare. Job postings related to Manufacturing and Production experienced a small increase month-on-month.
- 2.14 April saw 1,897 business registrations in West Yorkshire, as well as 1,643 business liquidations, to give 254 net new businesses month-on-month. This is around 500 fewer net new businesses compared with the same month of 2022. The sectoral make-up of the registrations and liquidations shows that the sectors most reliant on discretionary spending are seeing the most volatile changes in recent months. The wholesale and retail trade, and the accommodation and food services sectors saw high levels of both registrations and liquidations in April, relative to their market share.

Regional response

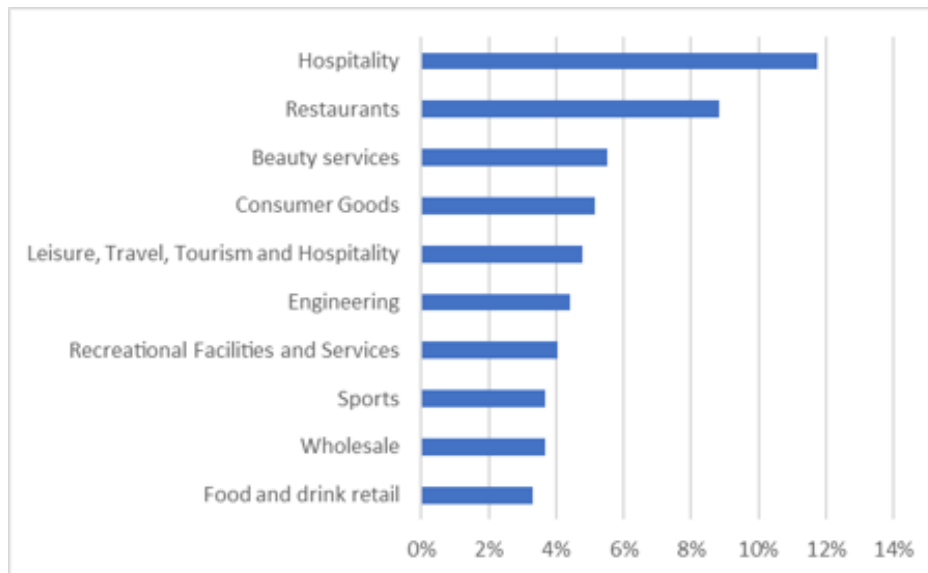
- 2.15 At the October meeting, the Combined Authority approved a package of support to help with the cost of living crisis. Progress on delivery is as follows:

Energy Price Emergency Grant (EPEG)

- 2.16 The £1 million Energy Price Emergency Grant scheme opened on 8 December 2022 and will close on 30 June 2023, and is being delivered through Umi Commercial. The scheme provides a grant of 50% of project costs up to a maximum of £5,000 to enable small businesses (less than 50 staff) in all sectors to implement energy saving and renewable energy investments such as more efficient lighting, heating, insulation and solar PV. The aim of the scheme is to help these businesses to save money and build in resilience over a more sustained period than the business energy bill reduction schemes introduced by central government.
- 2.17 On opening, the scheme experienced a high level of demand with over 400 expressions of interest (EOIs) received in the first week. As at 08 June 2023, a total of 666 EOIs have been processed, and almost half of these (330) have commenced the full application. 155 applications (totalling over £518,000 of

grant and £1.5 million total project value) are currently approved, with a further 42 (over £157,000 project value) in appraisal.

- 2.18 The scheme has been successful in supporting businesses that have not traditionally accessed business support programmes, with 8 of the top 10 sectors (and over 50% of all applicants) being business to consumer focused:



- 2.19 As of 08 June 2023, 71 projects have completed and £222,618 of grants have been paid to businesses, saving over 1.2 million kWh (an average of 17,223 kWh per grant received). Examples of beneficiaries include:

- A Calderdale based specialist supplier of disability equipment received £5,000 to install new LED lighting, saving 46,000kWh of electricity a year.
- A Wakefield beauty salon replaced its ageing and inefficient boiler and upgraded to smart controls, saving 4,173 kWh of gas a year. The business received a grant of £1037 towards the cost.

- 2.20 As the scheme close date approaches, the Combined Authority has undertaken a final promotion to maximise uptake.

Mayor's Cost of Living Emergency Fund

- 2.21 Last October, it was reported that the Voluntary Community and Social Enterprise (VCSE) sector was seeing a significant reduction in philanthropic funding and donations and facing increased operating costs at a time when demand for its support and services, such as food banks, provision of warm spaces in the winter, and for those with mental health problems, was also increasing.

- 2.22 The Combined Authority therefore progressed at pace to establish a £3m West Yorkshire Mayor's Cost of Living Emergency Fund to provide financial

assistance via each Local Authority to local VCSE organisations to enable them to practically help those most in need, with a focus on those experiencing in-work poverty and in workless households.

- 2.23 Delivery of the first (£1m) tranche of funding began in December 2022 and an interim evaluation of impact was commissioned in March and completed in May (the interim evaluation report is included at **Appendix 1**). So far, 6,481 individuals/households have been supported against a target of 3,172 - with more likely to be confirmed by end of project monitoring.

Social Housing Decarbonisation Fund (SHDF)

- 2.24 In response to this crisis, the Combined Authority approved in October 2022, £5m of Mayoral Gainshare funding to support additional energy efficiency measures in social housing throughout West Yorkshire through the Social Housing Decarbonisation Fund Booster. The measures include loft and wall insulation, energy efficient heating and hot water, and solar panels. They are being delivered by the Combined Authority's consortium which consists of 8 social housing providers who are themselves investing an additional £2m of match funding.
- 2.25 The Booster programme focuses on those households who need the measures most and is being delivered to 1786 social housing properties in areas of high deprivation. The scheme will deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs. As of May 2023, 316 properties have been completed and work has commenced on a further 205 homes.

Communications and Marketing

- 2.26 The Combined Authority raised the profile of the Mayor's and Combined Authority's response across communities in West Yorkshire, as well as across national media outlets. The objective was to raise awareness of the support to those businesses and individuals who needed it most, to drive up use of these schemes and help protect the regional economy and the most vulnerable from the crisis. The cost-of-living crisis is a national issue and awareness of our response was raised in national media. This included securing media interviews with national newspapers and inviting the media to community projects, which had been supported by the Mayor's Emergency Cost of Living Fund. This external communications approach highlighted the work that the Mayor and the Combined Authority were doing to step in to support our communities and protect people's livelihoods. This demonstrated how West Yorkshire was making a success of devolution and delivering for our communities with the powers and funding we have.
- 2.27 One of the first steps was to launch the business support package with a media visit to local business, Sound Leisure. They spoke about their fears with increasing energy bills and shared how emergency funds would help businesses like theirs. The Combined Authority amplified their story and used social media activity to target other struggling businesses, directing them to

our bespoke web page. The hub had information about the fund and how businesses could apply. This generated 617 new sign-ups for the energy grant support.

- 2.28 The communication response was also focussed on influencing Government decisions, using the news agenda and key announcements such as the Queens Speech to call for more support for our communities. This included the Mayor consistently calling for further support for businesses and their energy bills before welcoming the Government's later energy support package in September 2022, and sharing the Combined Authority's work with the region's Members of Parliament.

Next Steps

- 2.29 The **Energy Price Emergency Grant** was approved as an interim fund to bridge the gap between the existing Resource Efficient Business (REBiz) programme and the new Business Sustainability Package under the Climate & Environment Action Plan Wave 1. The new gainshare funded support was approved by the Combined Authority on 8 December 2022 and is currently under 'soft launch' conditions while tools and resources are put in place. The full public launch will take place in July, and the new support will provide advice, support and funding to help businesses to measure, plan and act on net zero, sustainability and climate readiness. This will include grant funding which will replace the Energy Price Emergency Grant scheme.
- 2.30 Proposals for the final (£2m) tranche of the **Mayor's Cost of Living Emergency Fund** are currently being developed in discussion with Local Authorities, in line with key findings from the interim evaluation which include:
- The locally developed delivery models have worked effectively, providing excellent VFM, enabling diverse groups to access the support they need.
 - Demand for the services across all districts is still rising – and generally needs to continue to be delivered in person, if it is to reach the people that most need it.
 - An increase in provision to address mental health support gaps, across each of the LA areas, is needed.
- 2.31 The **Social Housing Decarbonisation Fund Booster** commenced in December 2022 and will continue through to March 2024 reflecting the fact that energy prices will not return to their previous low levels for some time.

3. Tackling the Climate Emergency Implications

- 3.1. One of the contributing factors to rising food prices is the unusually hot temperatures in Spain and Morocco, which has had an adverse effect on olive yields, increasing olive oil prices by 60% since June 2022. As a key ingredient in many food products, this has an impact on a wide range of food items. A House of Lords report from September 2022 suggests that sustained food price inflation is here to stay as a direct consequence of climate change and biodiversity loss.

3.2 The Energy Price Grants scheme will help to reduce energy consumption by businesses and hence reduce carbon emissions.

4. Inclusive Growth Implications

4.1 The Mayor's Cost of Living Emergency Fund is central to the Combined Authority's inclusive growth ambition of enabling everyone in the region to benefit from and contribute to economic prosperity. By protecting and improving mental, physical and financial wellbeing, Phase 2 of this Fund will continue to help our workless households to move closer to the labour market and alleviate the risks of in-work poverty, including unemployment.

4.2 With food prices driving the current inflationary pressures in the economy, not only are households at the lower end of the income distribution feeling the pressure more harshly, larger households are too. Households with a higher number of people require relatively greater amounts of food, meaning that a greater proportion of their income is spent on these items that are increasing in price at a faster rate.

5. Equality and Diversity Implications

5.1. The 10% poorest households will be experiencing the sharpest impact of inflation. 44% of the people living in the 10% most deprived neighbourhoods across West Yorkshire identify as an ethnic minority. Bradford and Kirklees have a higher proportion of ethnic minorities than West Yorkshire as a whole, meaning that people in these districts are likely to be harder hit.

5.2. People experiencing or recovering from illness are also expected to try and eat more to aid the recovery. With food inflation running at close to 20%, and West Yorkshire having a higher share of people that are long-term sick, this will present a severe challenge. Furthermore, with vegetables experiencing some of the largest increases in pricing, it makes healthier eating more challenging, potentially exacerbating health problems.

6. Financial Implications

6.1. There are no financial implications directly arising from this report.

7. Legal Implications

7.1. There are no legal implications directly arising from this report.

8. Staffing Implications

8.1. There are no staffing implications directly arising from this report.

9. External Consultees

9.1. No external consultations have been undertaken.

10. Recommendations

- 10.1. That Combined Authority members note the latest economic evidence, as well as the policy interventions that have been rolled out thus far.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 – Mayor’s Cost of Living Emergency Fund interim evaluation report