
**Decision Session – Executive
Member for Economy and Strategic
Planning**

24 January 2023

Report of the Director of Housing, Economy and Regeneration

Quarterly Economic Update

Summary

1. This report provides updates on the local financial climate, core business support activity and Council-led initiatives, an update on the national and local economy, key account management work, events and initiatives, progress against major milestones, and inward investment work.
2. New data has been published by Government on pay and hours worked in the local economy. This shows that York continues to be a well-paid city in comparison to other locations across the north, but is lagging behind the south. This key Levelling Up issue is the main driver of our Economic Strategy.
3. From a separate Government data set, we can see that average pay in York increased by 9.7% in the year to November 2022, and that this increase was higher than in other northern cities. This is still slightly below the published inflation rate but it is good to see household incomes increasing in the current economic climate.
4. Businesses in York continue to report challenges in the cost of doing business, recruitment and finding premises. While inflation is predicted to fall in early 2023, the national economy is on the brink of a recession and the months ahead will be challenging for many businesses.

Recommendations

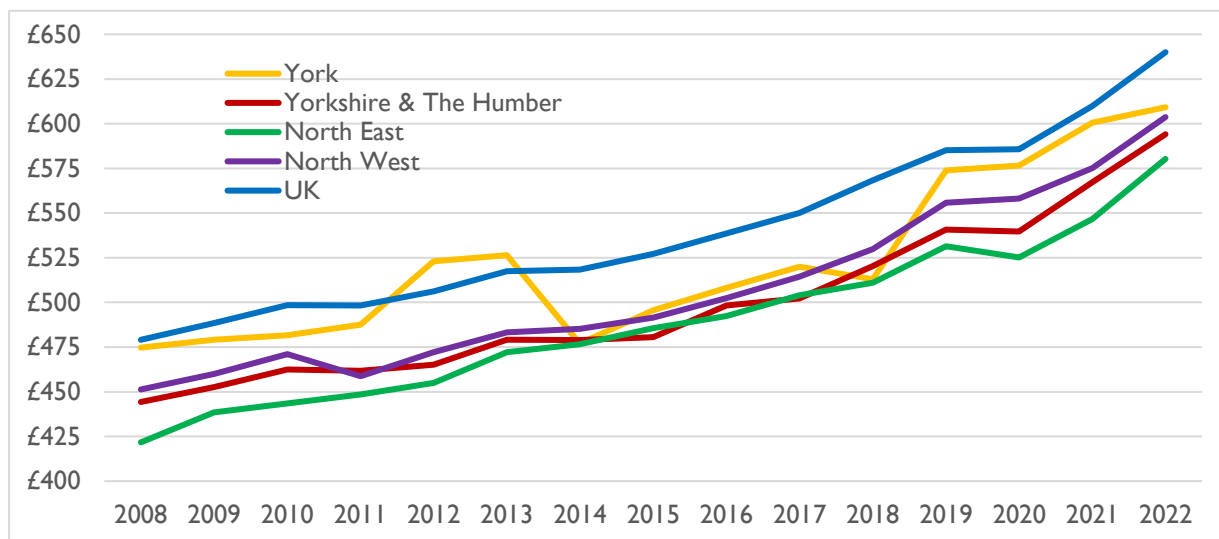
5. The Executive Member is asked to:
 - i. Note the contents of the report

Reason: To support York's ongoing economic work and monitor how York is performing from an economic perspective.

State of the Economy

- This report covers the period of November 2022 to January 2023. During this time a new Prime Minister has taken office and the Chancellor of the Exchequer has set out Government tax and spending plans in an Autumn Statement. The Bank of England (BoE) raised core interest rates twice, now standing at 3.5%, and warned that the UK is about to enter a prolonged recession that could last until the middle of 2024¹. Industrial action has been occurring across several industries including rail, postal services and nursing with trade unions seeking changes to pay and working conditions. This is a challenging period for the economy with residents and businesses seeing direct impacts on their prosperity.
- The release of this year's Annual Survey of Hours and Earnings (ASHE) during this period provides an insight into how the incomes of residents and employees in York are changing. The survey takes place in April, so the published figures are from early in 2022 at the start of the current inflationary spiral. When the survey was undertaken, inflation was running at an annual rate of 7% - this is currently standing at 10.7%².
- For 2022, the median full-time weekly wage for York residents was £609.20. As shown in Figure 1, this is a higher weekly wage than elsewhere in the north of England, with Yorkshire and Humber recording £594.20 a week, UK-wide median of £640 a week.

Figure 1 – Median full-time weekly pay in York vs the north



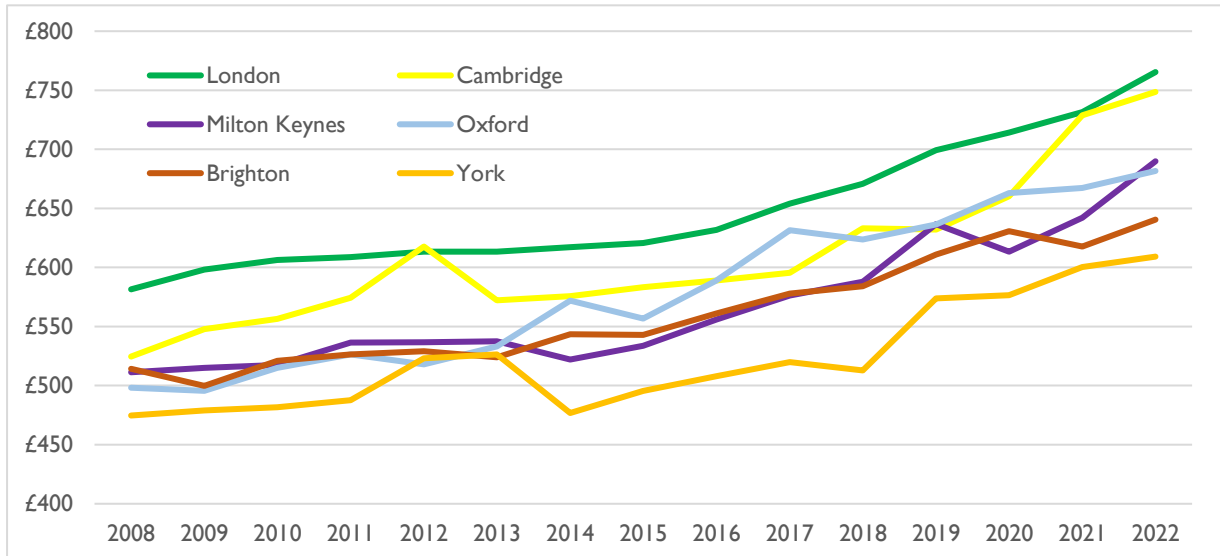
- The gap between York's full-time median wage levels and southern English towns and cities in Southern England has widened. The weekly

¹ Bank of England, Monetary Policy Report, November 2022 – <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2022/november/monetary-policy-report-november-2022.pdf>

² This is the Consumer Price Index (CPI) measure for inflation in December 2022

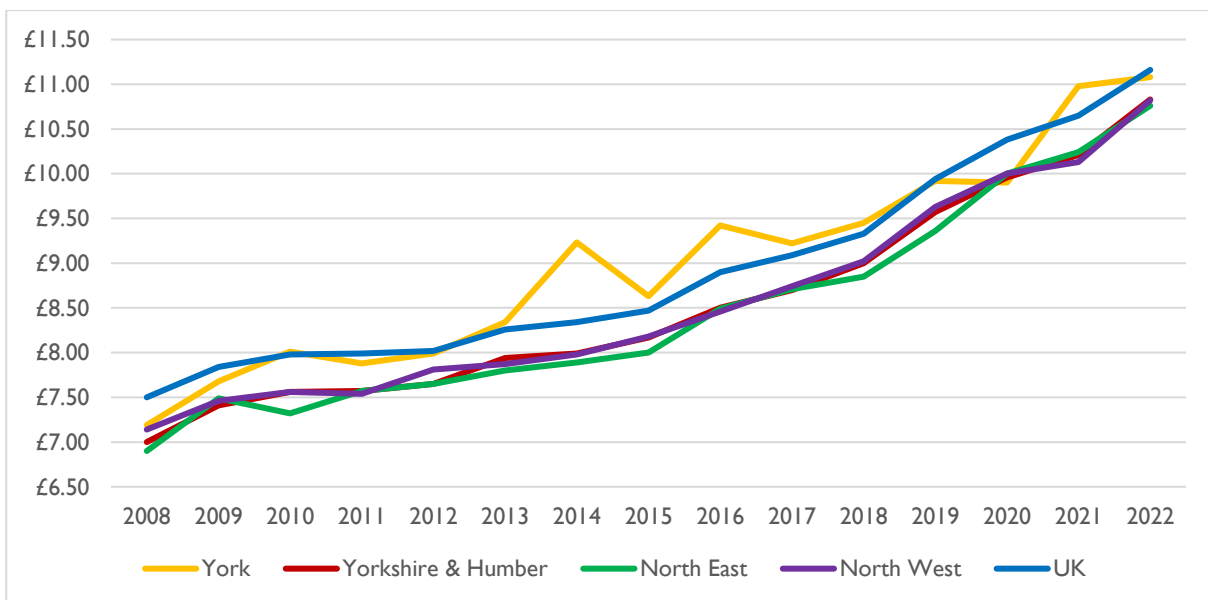
wages in London, Cambridge and Bath are £156, £139 and £90 higher than in York, as seen in Figure 2.

Figure 2 – Southern England and York full-time weekly pay



10. When looking at part-time workers, the median part-time hourly wage in York was £11.08 an hour. This figure is higher than elsewhere in the North as shown in Figure 3. The UK median part-time hourly wage is just above York’s at £11.16 per hour, however, York’s part-time pay is also less than in Southern England.

Figure 3: Median part-time hourly pay in York



11. As discussed in the new Economic Strategy, York’s wage levels are strong in comparison to the north of England, average in national terms but below the levels seen in southern England. This year’s ASHE data

reinforces that analysis and further demonstrates the need to develop more better-paid roles in York’s growth industries while pushing up productivity and pay in high volume sectors such as retail, hospitality and social care.

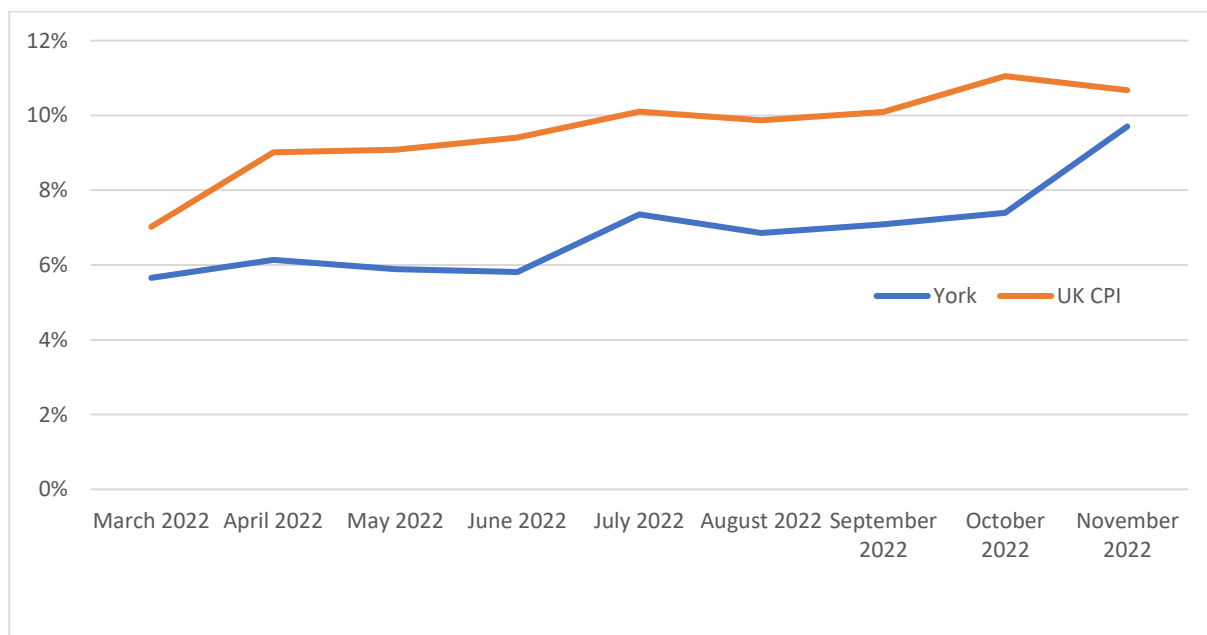
- Alongside ASHE data, the Government also publishes monthly real time information (RTI) on wages for local authority areas. Whilst this RTI data does not differentiate between full-time and part-time pay, it does provide a more up-to-date insight into wage levels in York as it is a monthly average based on daily estimates of the average pay packet.

Table 4 – Annual percentage change in RTI Median Wages for northern cities, Nov 2021 to Nov 2022

	York	Manchester	Liverpool	Sheffield	Leeds	Tyneside
Year to Nov 2022	9.7%	9.2%	9.0%	7.9%	6.8%	6.5%

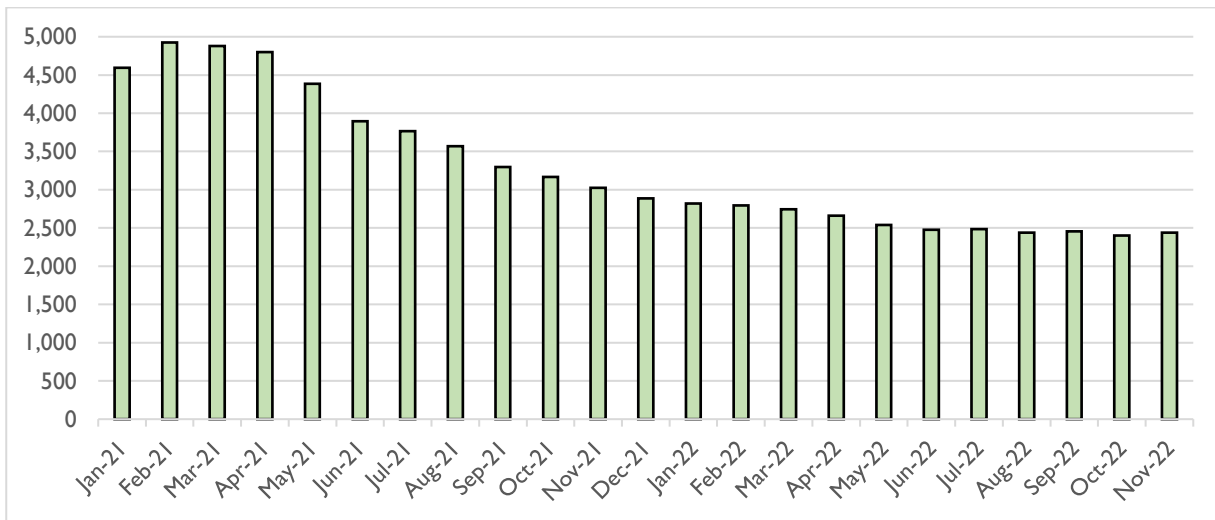
- According to this metric, York’s overall median wage for November 2022 was £2,114, which suggests that pay in York increased 9.7% in the year November 2021 to 2022 (see Table 4). While this is still below inflation, it represents significant growth and is higher than elsewhere in the North. The annual increase in RTI median pay for York has risen steadily since June 2022, getting closer to inflation in recent months, as shown in Figure 5 .

Figure 5 – Increase in York median pay vs. inflation, Nov 2021 to Nov 2022



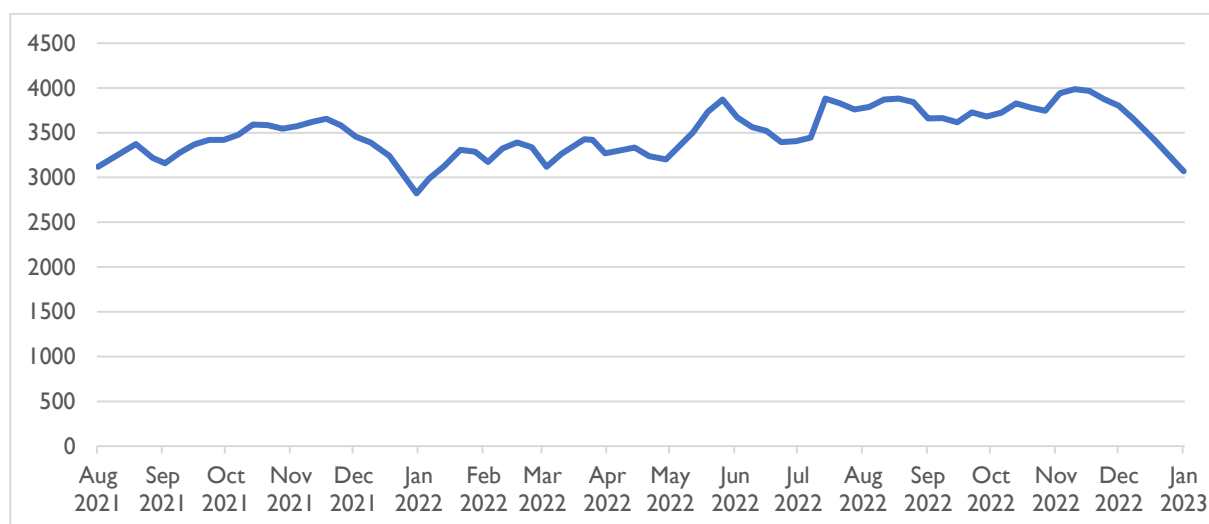
14. In terms of unemployment, York’s claimant count appears to have levelled out. As seen in Figure 6, the claimant count had fallen for 15 consecutive months. But, since June 2022, the number of people claiming out of work benefits has been within the range of 2400-2500 people. The provisional reading for November 2022 was 2,440 people claiming out of work benefits, with the gender split being 1,400 male and 1,040 female.

Figure 6 – York’s Claimant Count 2021-22



15. At the beginning of January 2023, there were 3,071 job vacancies within 5 miles of York City Centre, according to the job website Indeed. This is a decrease of about 800 vacancies from the beginning of Q4 in 2022, as seen in Figure 6. This matches the pattern seen in the previous year, and is due to seasonal recruitment, with businesses employing new staff for the Christmas period and the number of vacancies dropping in the new year. The average number of vacancies across 2022 was 3,548.

Figure 7 – Job vacancies within 5 miles of York City Centre



Business Intelligence

16. During the last quarter there were 18 virtual and in person conversations with key accounts, as well as a sector roundtable discussion with tech sector companies. Ten of these companies were from the rail sector, five were tech, and there was one each from the insurance, energy and engineering/manufacturing sectors.
17. Discussions were predicated on how to bring the varying sectors together, and to outline available and potential support priorities. The rail sector Skills Centre of Excellence. discussions are ongoing alongside higher and further education and rail industry representatives. The main discussion topics remain the same key issues as have been raised by local business over the course of the last six months:

The Cost of Doing Business

18. Since September 2022, the Energy Bill Relief Scheme has been crucial in shielding business from rising wholesale gas and electricity costs after Russia's invasion of Ukraine. Both large and small firms are finding it increasingly difficult to pass on costs to customers.
19. Companies need more detail about any potential support that may come in April 2023 when the current support package expires. Firms expect their energy costs to more than double (151%) if Government support is no longer available from April 2023.
20. General inflationary pressures persist and are one of the most reported sources of anxiety by many of our SMEs. There has been a slight fall in

transport and freight costs but increases in energy costs have taken any slack from savings there.

21. Supply chain issues are easing slightly but firms have had to hold increased stock levels to minimise any disruptions, and the availability and price of raw materials is affecting all sectors. This is impacting cash flow and investments.
22. Obtaining credit is becoming more difficult for smaller firms as banks are seeking more security. At least one firm that we are aware of has had its current loan conditions amended, and it is highly likely that this is a pattern that will increase in the coming months. There is still some demand for working capital but not for investment capital.
23. Anecdotally, due to a combination of all the challenging factors set out in this report, the feedback from many businesses is that they are now in survival mode.

Recruitment

24. Staff recruitment is still the most frequent challenge raised during conversations with businesses, along with the concern of retaining experienced trained staff.
25. There is still a huge demand in the tech, insurance and rail sectors. Some bigger companies in the city are actively recruiting from further afield to work remotely where possible but are still encountering competition and increased wage demands.
26. Firms are facing significant wage pressures from staff, as well as from competitors in their sector, particularly as employees increasingly feel the squeeze from cost-of-living increases.

Premises

27. Availability of premises continues to be a concern for businesses looking to relocate. To better understand the current situation, data from Costar has been provided by the LEP. This shows the current stock and availability categorised into several different areas as follows:

York City Centre office market

- Market contains about 1,500,000 ft²
- The current vacancy rate is 2.6%
- Rents grew by 4.4% over the last 12 months

Outer York office market

- Market contains 2,000,000 ft²
- Vacancy rate is Circa 7.6%
- Rents grew by 4.3% in 2022

Retail market

- Vacancy overall is 2.1%
 - Shopping centre vacancy rate is 6.7%
 - Retail Park vacancy rate is 2.5%
 - General retail vacancy rate is 1.5%

28. This data demonstrates the attractiveness of the York commercial property market to investors and the shortage of available space that potential occupiers are reporting.

Rail Sector update

29. Joint dialogue with rail companies and academia is ongoing, exploring how both can work together to deliver clear training routes into the sector. The commitment made in our Great British Rail HQ bid to develop a Centre of Excellence for Rail Skills underpins this work.
30. We are currently working with two rail companies outside the York area who wish to engage with the local supply chain. One is a major Tier 1 supplier to Network Rail looking for support in making introductions to local supplier companies, the other is a rail freight company seeking help from the York rail tech community to work on a specific challenge.
31. The team is also working with the Birmingham Centre for Railway Research and Education to identify local rail companies who might wish to attend an international visit to Germany to meet other rail companies and explore potential collaborations and employment opportunities. We hope to share a presentation of York rail tech community through the Department for International Trade rail lead based at the British Embassy in Berlin in due course.
32. We are aware of three rail companies wanting to discuss available premises in York. Their focus is primarily around proximity to similar companies to stimulate collaboration, and we are actively facilitating these conversations, all of which have been triggered by lease break clauses.

33. One of these companies has already moved to York as our rail skills cluster has enabled them to better fill longstanding vacancies. They have now recruited 10 members of staff and expect to recruit a further 20 over the next 12 months.

Supported Business Growth and Inward Investment

34. The Council's Business Growth and Inward Investment teams are key elements in building relationships with local economic partners and businesses, offering guidance and support, and timely information.
35. The Business Growth Managers (GMs) currently have over 150 active business support connections in train, with the Inward Investment Officer (IIO) fielding numerous queries for potential landings in York, including direct foreign investment.
36. Regular meetings are held with key intermediaries, including Adventure, Mercia, IUK Edge, British Business Bank, Department for International Trade, Enterprise Works at the University of York, FSB, WNY Chamber, York Science Park, the Guildhall, Y&NY Growth Hub, York St John University, StreetLife, York College, York Creatives, University of York, Barclays Eagle Labs, Scale-Up Programme and Lloyds Bank.
37. The Economic Growth Team are also leading on developing key sector opportunities within the City including professional services, retail, creative tech and media arts, hospitality, tourism, bioeconomy and health and life sciences. Already the GMs and IIO have pulled together sector resources and initiated key working relationships which will reap future benefits.
38. The GMs have a seat on variety of boards and groups within the City providing a key Council presence to help guide and influence decision making. Partners now include York Tourism Advisory Board, York High St Forum steering group, York St John University Business School Advisory Board, Skills Support for the Workforce and WNY Chamber Property Steering Group.
39. Networking events, sessions hosted and attended by the GMs and funding opportunities continue to yield important new business introductions and drive business investment. Work includes:
 - Co-ordination of the *York Digital Focus* event, part of Leeds Digital Festival

- Delivery of the third in a series of successful *Women in Business* events in partnership with NatWest Bank
- Delivery of four *Connect Over Coffee* events for businesses
- Funding provided to WNY Chamber by CYC has led to 20% increase in York membership numbers. GMs now have these details as leads for potential support
- Funding provided by CYC to FSB has led to numerous masterclasses and podcast recordings (including website creation, customer retention strategy, social media strategy and how to win awards) have led to 120 positive business interactions. Again, details have been obtained to generate leads and potential support
- Generation of 156 interactions with businesses via partnership working with YNY Growth Hub, including attending the Courageous Females course, Your Small Business Board (Peer to Peer), Strive Live (for start-ups) and sessions on marketing, staffing and digital skills, access to finance and more
- Planned delivery of three webinars and one in-person event with Google Digital Garage in 2023
- Working with Enterprise Nation to plan delivery of a start up event, and with The CPD unit at University of York to plan an Employment and Skills conference in the next quarter.

40. Promotion of the City, especially with international partners, is a key aspect of the team's remit and as such:

- A promotional city developments film to showcase York has been made, led by the BID. Designed for use by city-wide partners for multiple purposes, including attracting direct foreign investment. This will be launched in January 2023
- Attendance at York Property Forum focussed on *Making Heritage Modern, Relevant and Attraction*, leading to a working relationship with the Minster, including support to highlight the York Minster Precinct
- Linking York Vikings Rotary and York Nebraska Rotary through a third parties to discuss opportunities to connect
- Initial exploratory meetings with Dijon, aiming to build on the civic engagement between our city and theirs, as well as identifying commercial opportunities.

41. Two new business have now located in York through the efforts of the team, one from the tech sector, the other working in green energy solutions. One of these companies has taken premises at the University of York's Catalyst, initially employing ten people, with a view to expand.

42. There are several other potential companies in the pipeline exploring the local area as a base, including large international businesses:
- An international business looking to expand close to east coast of UK (near ports) with a manufacturing facility totalling up to 500,000 ft² to produce aluminium bottles/cans for beverage industry
 - US-owned business, developing a medical device, looking for manufacturing facility and cleanroom and storage
 - Eastern European company looking for land on which to develop a battery recycling facility to provide feedstock for locally based Gigafactory

York Business Festival

43. York Business Festival was delivered through the business support partnership throughout November 2022, based on the five key themes of the Economic Strategy:
- An economy driven by good business
 - Thriving businesses supported by sustainable growth
 - A greener economy
 - A thriving workforce, and;
 - York as a global City
44. A programme of 30 events – webinars, seminars, workshops and networking - covered a broad range of issues such as green jobs, business start ups and entrepreneurs, innovation, sector sessions focussing on rail and hospitality, importing/ exporting, apprenticeships, sustainability, and employees, skills and the talent pipeline.
45. Alongside teams from the Council, partners supporting delivery of the event include the University of York, the Institute of Directors, York and North Yorkshire LEP, York St. John University, Chamber of Commerce, Warwick University, Chamber of Commerce, the Department for International Trade, and numerous individual speakers from business organisations and the business community.
46. Over 1,000 businesses attended the Festival, and feedback from them will now be collated in a report for the Executive Member in the new year.

Economic Strategy and Partnership

47. The City's *Economic Strategy* was agreed by the Council's Executive on 22 November as part of the 10 Year Strategy and Policy framework,

which also includes Climate Health and Wellbeing 10 year strategies, and the emerging 10 year City Plan.

48. Full Council ratified the Economic Strategy on 15th December 2022 as part of report from the Executive Leader on the 10 Year Strategy and Policy Framework.
49. A preliminary meeting of the new Economic Partnership was held in October 2022. The Partnership discussed the new Economic Strategy, including its impact on equalities issues. The Partnership will meet again in March 2023.

UK Shared Prosperity Fund (UKSPF)

50. City of York Council's UKSPF Investment Plan received formal Government approval in early December 2022. An expression of interest application process has subsequently been established on the Council's website for potential bidders with a deadline of 8 January 2023.
51. This deadline has been set to allow uptake to be reported to the Partnership Board at their January meeting, and to make any remedial changes to the delivery timetable, where necessary.
52. York has been allocated £5,848,801 to spend over three years to March 2025. This amount is made up of a core allocation of £5,107,510, and £741,291 that has been specifically allocated for the Department for Education's *Multiply* Adult Numeracy programme.
53. This first expression of interest phase concerns two of the three programme interventions – Communities and Place, and Local Business Investment – with year three People and Skills expressions of interest to be invited in Summer 2023. The value of this current tranche is around £1.48m

Consultation

54. Consultation and engagement on the economy, and related issues, through Members and officers, partners and residents are pivotal elements of our approach, and central to informing our work using evidence-based information and research.
55. All ongoing consultation work has been outlined in the body of the report.

Council Plan

56. Our work addresses the following outcomes from the Council Plan:

- Good health and wellbeing;
- Well-paid and an inclusive economy;
- A better start for children and young people;
- A greener and cleaner city; and,
- Safe communities and culture for all.

Implications

- **Financial** – no financial implications;
- **Human Resources (HR)** – no implications;
- **One Planet Council / Equalities** – our work positively supports the Council's equalities objectives;
- **Legal** – no implications;
- **Crime and Disorder** – no implications;
- **Information Technology (IT)** – no implications;
- **Property** – no direct implications

Risk Management

There are no specific risks identified in respect of the recommendations.

Contact Details

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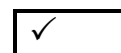
Report
Approved



Date: 16 January 2023

Wards Affected: List wards or tick box to indicate all

All



For further information please contact the author of the report

Glossary:

CYC – City of York Council

FSB – Federation of Small Businesses

GM – Growth Manager (CYC)

IIO – Inward Investment Officer

LEP – Local Enterprise Partnership

SME – Small and medium (business) enterprises

UKSPF – UK Shared Prosperity Fund

WNY Chamber – West and North Yorkshire Chamber of Commerce

YNY LEP – York and North Yorkshire Local Enterprise Partnership