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

**1<sup>st</sup> November 2022**

Report of the Director of Housing, Economy and Regeneration

**Quarterly Economic Update**

**Summary**

1. This report presents updates on the local financial climate, core business support work and Council-led initiatives, and includes an update on the state of the national and local economy, key account management work, progress against major milestones, and inward investment.

**Recommendations**

2. The Executive Member is asked to:
  - a) Note the contents of the report

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

**State of the Economy**

3. Since the last update in July 2022, there have been a number of events that have impacted the performance and outlook of the UK economy. Strike action, record-breaking heatwaves, the death of our monarch, a change of government, the value of the pound decreasing against major currencies and the continuing rise in inflation and interest rates, have brought about a challenging period for residents and businesses to navigate. Recent turbulence following the October 2022 mini-budget and subsequent change in Prime Minister have added to the short-term challenge. The cost of living and the cost of doing business continues to increase and remain at high levels.

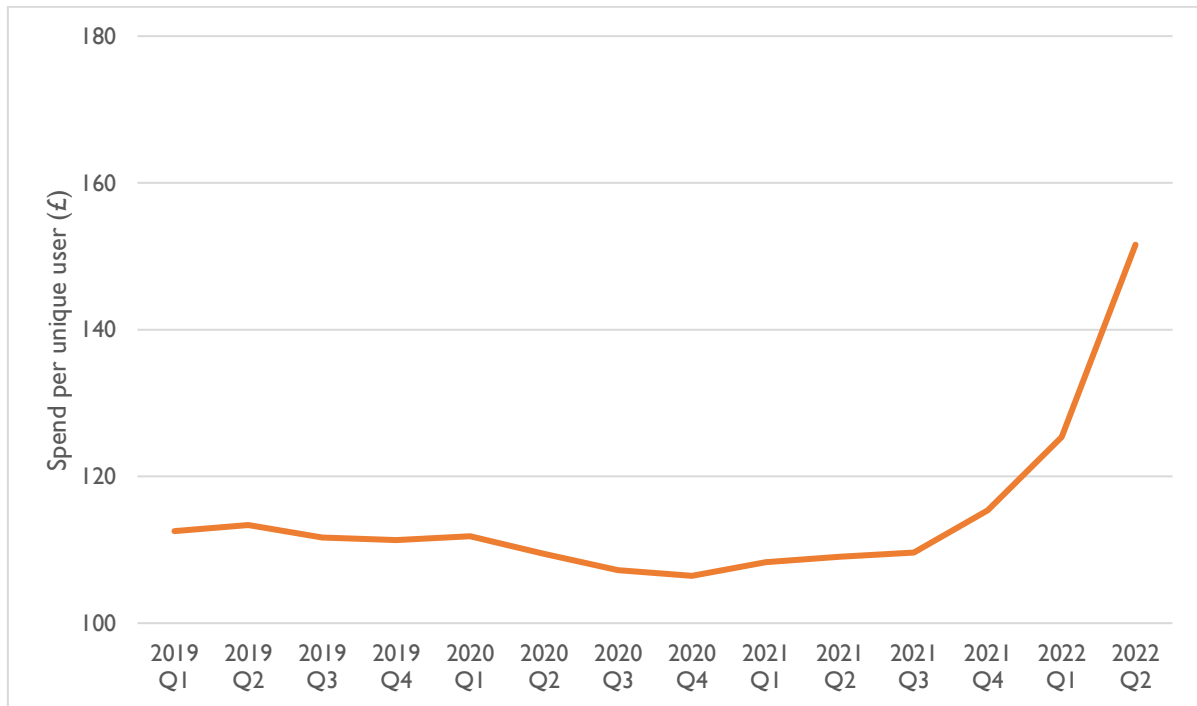
4. At time of writing, the UK's inflation rate had risen to 9.9%<sup>1</sup>, largely driven by supply-side factors, such as energy and food prices. Households and businesses across the country are being impacted by this high rate of inflation, with the value of their savings falling and purchasing power decreasing if their income does not keep pace with the rate of increase in inflation.
5. The Centre for Cities thinktank have attempted to gauge the cost of living across towns and cities across the UK by calculating the annual local inflation rate. They have done this through looking at real-time wages and then keeping the inflation rate constant for each consumption component (e.g., energy, groceries), but varying the weight of these components by looking at the consumption patterns of each city. For instance, the weight attributed to consumption on energy will be larger for cities that have more households that are ranked E and D in their Energy Performance Certificates than in cities which have more households ranked A and B.
6. Using this metric, York's local inflation rate for August 2022 has been estimated to be 9.8%<sup>2</sup>. With the exception of Warrington, this is the lowest rate recorded in northern England, but it is relatively high in comparison to southern cities such as London, Cambridge and Reading.
7. The price of energy and petrol appears to be main driving force behind the rise in the inflation rate in York. In Q2 of 2022, the energy spend per unique user in York had risen to £151.58 per month which is £43.27 increase from a year earlier and can be viewed graphically in Figure 1. For petrol, the Q2 spend for 2022 per unique user was £116 per month which is roughly £24 more than a year earlier, but when accounted for inflation it is £8 less than a year earlier. This indicates that the greater spend on petrol is due to the rise in price of petrol rather than residents purchasing a greater quantity of petrol.

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<sup>1</sup> This is the Consumer Price Index (CPI) measure for inflation in August 2022

<sup>2</sup> Centre for Cities: Cost of Living Tracker – <https://www.centreforcities.org/data/cost-of-living-tracker/>

**Figure 1 – Energy Direct Debit Values Per Unique User – York<sup>3</sup>**



8. Whilst data is not locally available on the energy spend of York's businesses, the Federation for Small Businesses (FSB) estimates that electricity and gas bills for businesses will have doubled or trebled, or in some cases increased by four-to-five fold, this quarter. The degree to which businesses' energy bills will have increased depends on the type of contract they are signed up to and when they have signed up to it. But with 97.5% of York's businesses being small and micro sized, it can be expected that they fit into the FSB's cost estimations, which itself corroborates with the findings picked up by the Council's business growth managers from their workings with York's businesses.
9. To reduce the cost of energy the Government announced the Energy Price Guarantee (EPG) for domestic energy users and the Energy Bill Relief Scheme (EBRS) for non-domestic energy users in September. The EPG was introduced from 1<sup>st</sup> of October and has been set at £2,500 a year for typical levels of consumption. This is lower than the original Ofgem Q4 2022 price cap, substantially lower than forecasts for 2023, but 27% above the summer 2022 cap. The EPG was initially planned to last two years, but this was cut-back to last till April 2023, at which point targeted support will be given.
10. The EBRS will provide a discount on non-domestic energy customers' gas and electricity unit prices, with the level of price reduction varying on each

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<sup>3</sup> ibid

businesses contract and circumstances. The scheme will run to April 2023 at which point targeted support will be given to vulnerable industries.

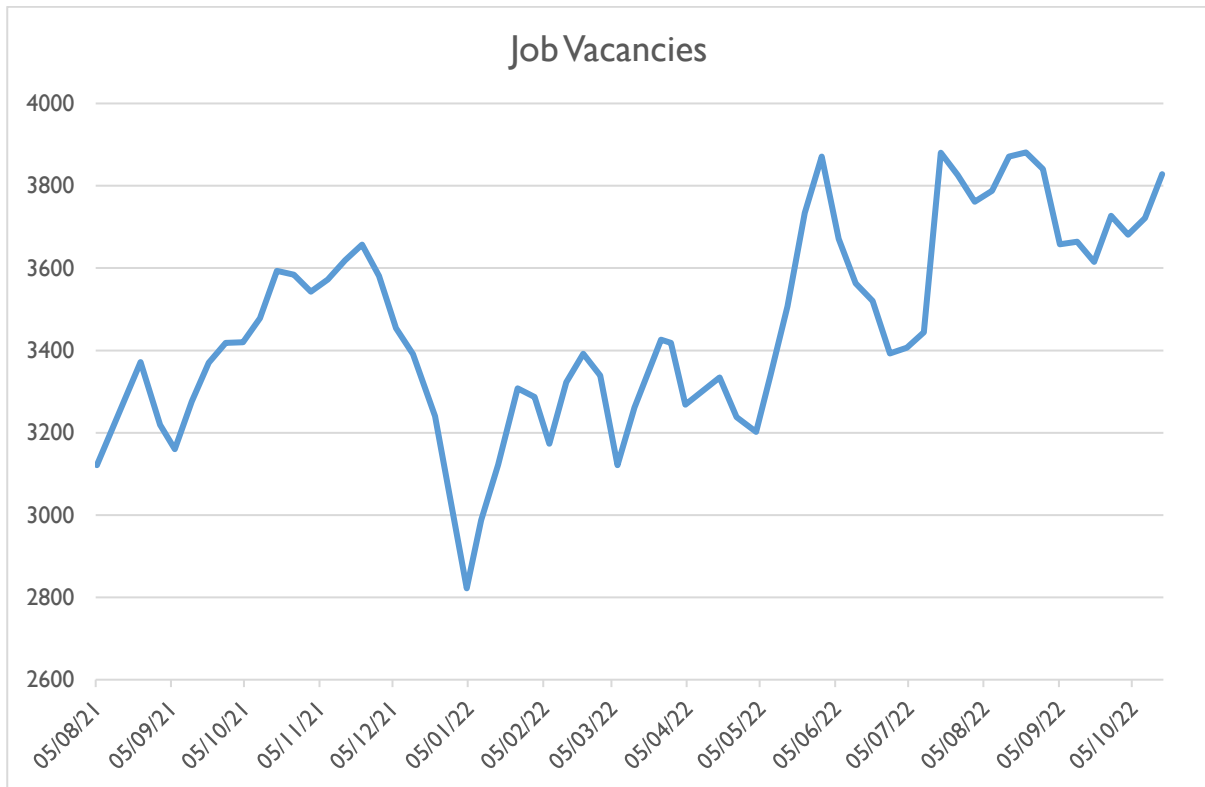
11. The Council has set-up a [dedicated page](#) to explain these schemes, whilst simultaneously continuing to promote energy efficiency measures, such as the ReBIZ scheme, to help households and businesses become more environmentally friendly and save money on energy bills.
12. The Government also announced it's 'Plan for Growth' in September. This plan outlined several measures, particularly around the tax system, that are intended to deliver economic growth. Without publishing a plan for how these measures would be costed for, participants in financial markets became nervous about the UK's debt obligations and began selling holdings of UK bonds, pushing up their yield (interest rate) across both short and long-term holdings and caused the pound sterling currency to fall in value to record lows against major currencies.
13. At the same time, mortgage rates quickly rose in anticipation that the Bank of England (BoE) would have to raise the UK's base interest rate more aggressively than previously thought. The average two-year fixed mortgage rose to 6.46%, the highest since 2008 and the average five-year fixed mortgage rose to 6.14%, a 14-year high according to financial information company Moneyfacts.
14. The changes in mortgage rates will impact the housing market in York. According to the latest ONS data from 2020, the number of households in York that owned a home with a mortgage or loan was 26,313 which equates to roughly 31% of households<sup>4</sup>. The BoE estimates that 80% of all mortgages are on a fixed-term basis<sup>5</sup>, which suggests that for York roughly 21,000 households are on fixed-deals and 5,000 households are on variable deals. The recent changes will mean that those on fixed-rated mortgages will likely face higher interest rates when they re-mortgage and those on variable rate mortgages will see their interest rates increase. For those looking to purchase a new home by taking out a mortgage, they will also face higher borrowing costs.
15. With regards to the labour market, the number of job vacancies in York persists at high levels. At the beginning of October, there were 3,828 job vacancies within 5 miles of York City Centre from the job website Indeed, as seen in Figure 2. The average number of vacancies across Q3 2022 was 3,720 job vacancies per week, with that figure continuing to rise since we began recording the total in August 2021.

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<sup>4</sup> ONS: Subnational estimates of households by tenure – January 2022

<sup>5</sup> Bank of England, Monetary Policy Report February 2022 – <https://www.bankofengland.co.uk/monetary-policy-report/2022/february-2022>

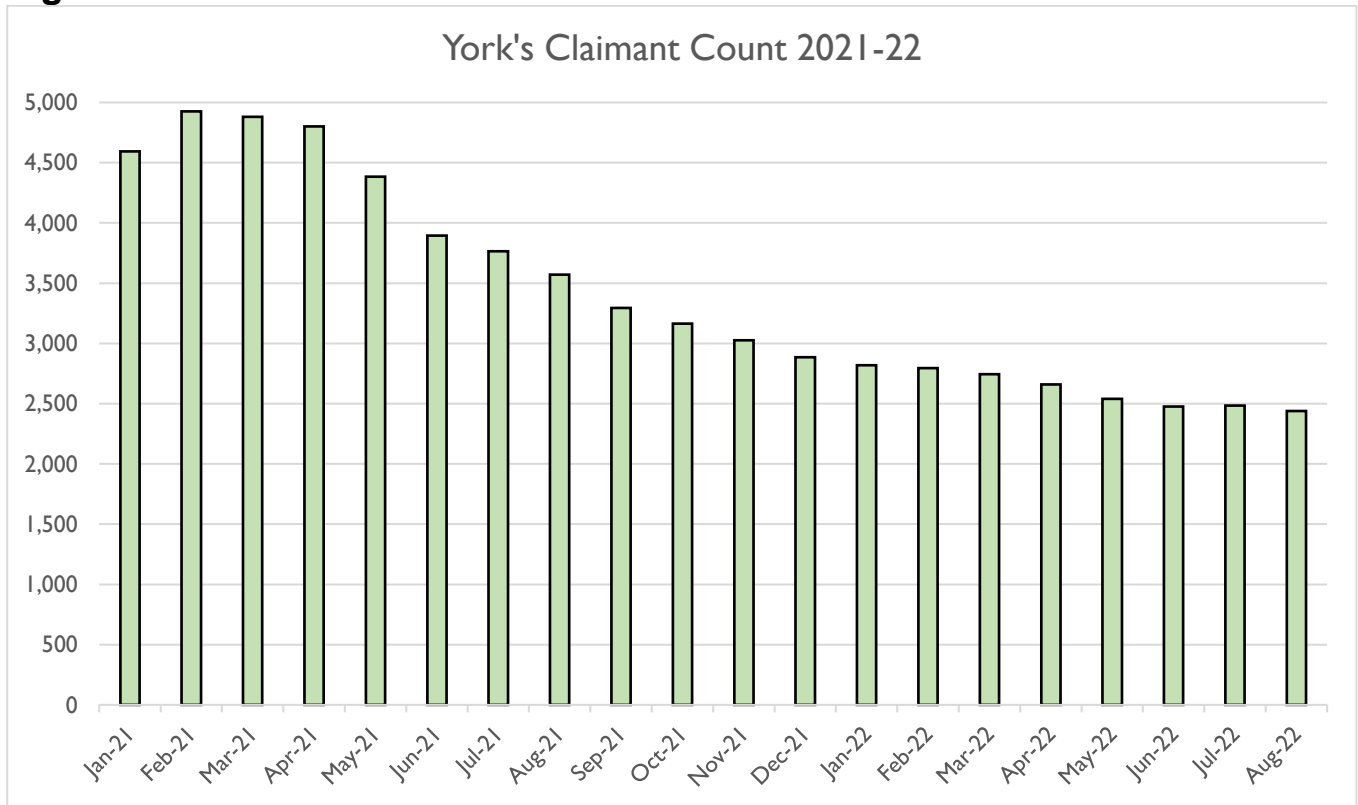
**Figure 2 – Job vacancies within 5 miles of York City Centre**



16. When looking at unemployment, the claimant count for York has continued to decrease, with it falling every month bar one since February 2021 as seen in Figure 3. For August 2022, there were 2,440 people claiming out of work benefits which is 1,130 people less than a year earlier but is still roughly 620 people more than March 2020. York does however remain the city in the UK with the lowest increase in the claimant count compared to pre-Covid levels according to the Centre for Cities Unemployment Tracker<sup>6</sup> and its current claimant count rate is comfortably less than the average rate for the City between 1986 and 2021, which is 3,370.

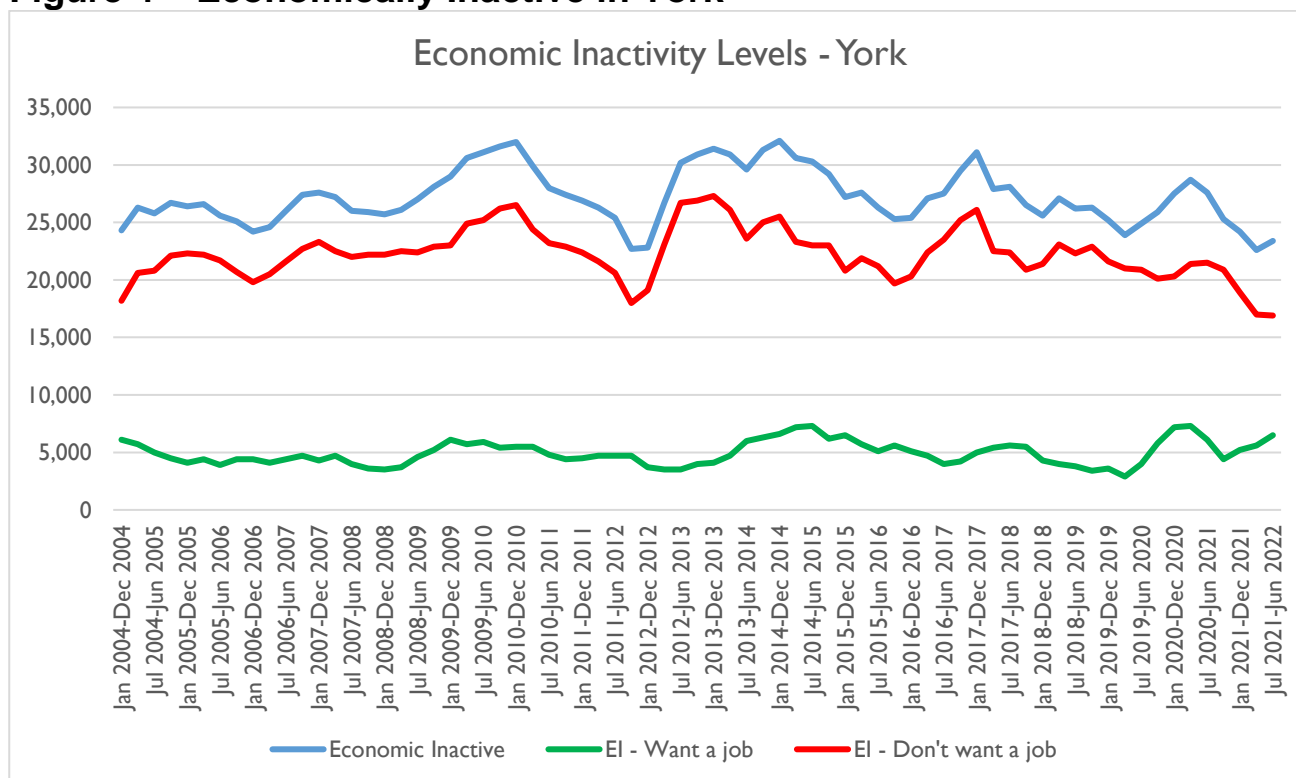
<sup>6</sup> Centre for Cities Unemployment Tracker – <https://www.centreforcities.org/data/uk-unemployment-tracker/>

**Figure 3 – York’s Claimant Count 2021-22**



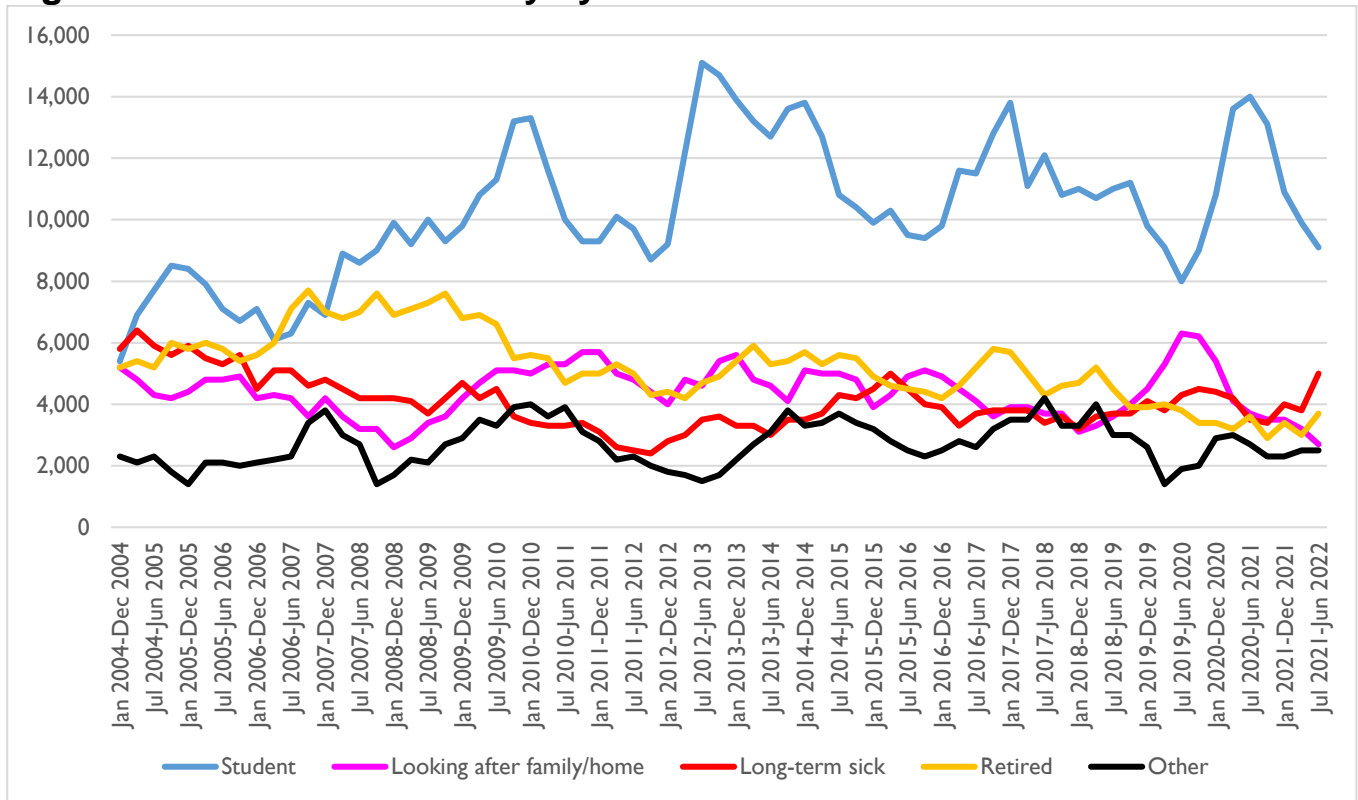
17. The UK’s unemployment rate also continues to decrease and is now at its lowest since 1974. UK economic inactivity rates have also been increasing. The economically inactive are those not in employment who have not been seeking work within the last four weeks and/or are unable to start work within the next 2 weeks. This includes students, those who have retired early, carers, those who are temporarily or long term sick, as well as people who are not able to find work.
18. Figure 4 provides the economic inactivity rates for York since 2004. Although there was an 800 person increase in economic inactivity rates in the last reading to a total of 23,400, this is the lowest the figure has been since records began in 2004, bar the period October 2011-December 2012. This makes up 17.3% of the working-age population in York, which is the second lowest percentage since 2004.
19. The number of people who are economically inactive and do not want a job is at the lowest it has ever been, standing at 16,900. Whilst those who are economically inactive but do want a job is at 6,500. This figure is amongst the highest figures since 2004 and has increased by 2,100 people since June 2021.

**Figure 4 – Economically Inactive in York**



20. Students have consistently been the most economically inactive in York, representing 9,100 of the current total. However, as seen in Figure 5, this is significant drop from a year earlier, meaning roughly 5,000 students have become economically active. Second amongst the reasons for being economically active is long-term sickness, which has risen to 5,000 people and now represents 21.5% of the economically inactive, the highest since 2006. This follows what has been seen nationally, where long-term sickness is at an all-time-high.
21. Amongst those who are retired and are of working-age, there has been an increase to 3,700 people in the period ending June 2022. Although this is the highest it has been since June 2020, it represents 16% of the total of economically inactive, which is lower than the average of 16.5% over the past decade.
22. The number of people who are economically inactive because they are caring for their family or home has fallen to 2,700 which is the second lowest ever level, the lowest being in 2008, a time of the financial crisis. This could imply that as with 2008, the current economic challenges are forcing those people who would normally stay at home to look after their family or home into employment.

**Figure 5 – Economic Inactivity by Reason – York**



## Business Intelligence

23. The Council’s Business Growth Managers continue to work closely with York businesses, and between both have an active pipeline of over 115 business needing support. Our Sector Development Manager held an additional 25 in-person and virtual conversations with key business accounts across rail, construction, insurance, legal, technology and manufacturing sectors.
24. Intelligence from this engagement shows common threads of concern within the business community including ongoing difficulties caused by supply chains, cash flow blockages, recruitment difficulties, high energy bills and a general market slow down which has had an impact on confidence levels.
25. The Business Growth Managers continue to maintain regular contact with key intermediaries. In this last quarter that has included Ad:Venture, Skills for Growth, York St John University, York College, University of York and the Department for International Trade, WECAN, Scale-Up Programme, Strategic Growth Programme, IUK Edge, Aspire2Lead, IoD, FSB, WNY Chamber and Y&NY Growth Hub.
26. Similarly, networking events and sessions hosted and attended by the Business Growth Managers over the last quarter, such as Connect Over



Coffee, The Commerce Club and Women in Business, have been vital in providing new business introductions and disseminating advice and support as broadly as possible.

### Business Intelligence – Costs

27. From both small and large businesses, there has been concern regarding the ongoing rise in inflation and the cost of doing business. Initially the larger businesses were able to absorb costs but lately they have been passing these on in price rises to customers. Some firms are however finding it difficult to pass these increased costs on due to contractual arrangements.
28. Businesses have also reported a sharp increase in transport costs. Companies importing are seeing delivery costs escalate and, in some cases, this is being priced separately. This is also linked to disruptions in the supply chain, especially from the far east. This is affecting both deliveries and imports. In August there were significant material delays from China owing to Covid-19 lockdowns. This has since eased off somewhat, but it takes a few months for businesses and trade to regain momentum and catch-up to production levels when these lockdowns occur. There are further concerns of supply chain disruption across the continent with the implementation of the European Union's Winter gas reduction plans which will affect UK businesses sourcing from the continent.

### Business Intelligence – Recruitment

29. Recruitment is still a major concern for businesses in York. One large company in the city has resorted to recruiting from further afield and promoting remote working where possible. This has helped recruitment, but as more companies have followed this practice, it is becoming more difficult to find recruits.
30. There are also wage pressures across most sectors, with staff expecting upward of 5% increase in salary as a minimum, reflecting the current rate of inflation. Wage demands for remote workers is increasing even faster. One company with multiple sites is seeing remote recruitment wage demands come closer to London wage rate.
31. Employers continue to report that they are struggling to find the people with the right set of skills. One company has increased all staff wages by 21% to retain staff and ease recruitment pressures.

### Business Intelligence – Premises

32. Four businesses have held discussions around their premises, including one business moving to larger premises after a merger. This will allow the business to bring some manufacturing back to York and recruit additional staff when the merger is completed at the end of the year. They require additional space in the medium-long term and the Economic Growth Team are helping them identify additional sites. Another smaller rail company now have half of their workforce working remotely so are looking for smaller premises when they have a lease break next year.

### Business Intelligence – Rail Sector

33. As part of our commitment to establish York as a centre of excellence for rail skills, a roundtable was held in September. The focus of the session was to work with the sector and explore the potential to tailor Skills Bootcamps to meet the needs of the rail sector now and in the future. The Skills Network has secured Government Funding to deliver a range of bootcamps including Data Analysis, Infrastructure Technician, Project Management and Sustainability. This is an ongoing initiative working with the sector and meeting on a quarterly basis.
34. There has also been on-going work with the National Railway Museum, the Trans-Pennine STEM Ambassador Hub and rail industry partners to deliver 'Railway Futures', a two-day careers event for students of all ages on 4th & 5th October based at the National Railway Museum. The event showcased the combination of innovation, engineering, and technology in the railways and a look to the future of digital and sustainability within the sector. It also featured the breadth of careers available in the rail industry, and the different sectors and routes into these and made links that young people can follow to connect their learning to a future career path in the sector.
35. In conjunction with the Supply Chain Network, an event is being laid on for the rail sector in York. The event is on Monday 7<sup>th</sup> November and will explore the opportunities available in the rail supply chain. Attendees will learn about the projects being undertaken in York and explore how SME's can improve their chances of winning work with these projects.

### **York Business Festival**

36. The Economic Growth Team have been organising the first York Business Festival, which is set for delivery across November 2022. Consistent feedback from York Business Week, which ran for 11 years, showed that

participants could not attend all the events in one week, even if they wanted to. This has led to the formation of the first ever 'York Business Festival', where events will be spread out across the whole month, making it easier for businesses, employees and entrepreneurs to attend.

37. The 5 weeks of the Festival will focus on the 5 different themes of York's forthcoming Economic Strategy, with the Council, local business support providers and key local stakeholders leading on the week's events. The first week is around creating an economy that is driven by good business and is being led by the Institute of Directors in partnership with the Economic Growth Team. The second week is themed on 'thriving business – creating the right conditions for sustainable growth' and is being led by the Y&NY LEP. The Council's Carbon Reduction and Economic Growth Team are leading the third week's events on 'reducing carbon and creating a greener economy'. And the last two weeks are being delivered by the University of York, on the theme of 'creating a thriving workforce', and the Department for International Trade on 'making York a global city'.
38. The purpose of the Festival is to help local businesses understand what support is available in York, in particular for SME and micro businesses which make-up the large majority of businesses in the city. An assessment of the outcomes and impact of the Festival will be made, with findings presented to the Executive Member in the new year.

#### York Business Festival – Small Business Saturday

39. The Small Business Saturday team will be visiting York on Wednesday 9th November, as part of their annual UK wide tour, leading up to the official day on Saturday 3rd December. This year they will be showcasing the independent businesses of the Goodramgate area after a positive and productive visit to Haxby in 2021.
40. The visit falls in the 'Sustainable Growth' week of York Business Festival, so complements the ethos of the theme, and signals the Council's commitment to the whole business community as the UK's first city to sign up to the Good Business Charter.
41. Small Business Saturday offers free 1-2-1 business mentoring sessions, workshops and livestreams interviews with business owners directly from their premises. There will also be pre-recorded interviews with businesses unique to York, offering behind-the-scenes proceedings.

42. The Economic Growth Team is working with Indie York to promote the event, which is a valuable means of highlighting the local business community and boosting footfall in the lead up to the Christmas period.

### **Inward Investment**

43. Over the reporting period, the team responded to 20 new investment enquiries, with six of these being overseas enquiries from businesses looking for York locations, eight being UK based companies exploring York as a new opportunity, and the remaining 6 represented by York businesses planning to move or expand within the city. There is continued interest from a broad range of sectors including IT, manufacturing, leisure, hotels and food.
44. The Economic Growth Team also helped host a visit from Scarborough-based international export business PBS International, Nebraska Sorghum and representatives from York Nebraska Council and York (Nebraska) University. This visit to York provided connections to our local bio-economy business and an opportunity to explore potential business opportunities in the sector. The visit was hosted at York's Biorenewables Development Centre (BDC) and was attended by representative from CNAP, Azotic Technologies and York and North Yorkshire LEP.
45. The team also worked with Y&NY LEP colleagues to host a visit from the Department for International Trade (DIT) around energy and infrastructure sector in York. The visit was also held at BDC's premises where DIT representatives learnt about York's growing bio-economy and rail sectors. As a result, we are sharing an updated rail tech prospectus with DIT, boosting York's opportunities for international collaborations and joint ventures.

### **UK Shared Prosperity Fund (UKSPF)**

46. The Government have established a new UK Shared Prosperity Fund (UKSPF) as part of the Levelling Up White Paper, and published the national UKSPF prospectus in April 2022.
47. York has an allocation of funds and City of York Council will be responsible for delivering York's UKSPF funds for the period 2022 to 2025. An Investment Plan, developed in partnership with local stakeholders was submitted for Government assessment at the end of August, with a formal response expected in November 2022.

48. York has been allocated £5,107,510 of UKSPF funding, which includes a fixed 4% of the allocation for CYC to administer the fund, covering legal, finance and staff costs.
49. A stakeholders Partnership Board has now been established to steer the Fund, and is chaired by the Executive Member for Finance and Major Projects who has been given delegated responsibility for UKSPF by the Council Executive.
50. Once the Investment Plan has had formal Government approval, the bidding process from potential applicants can begin, and work is currently underway to ensure that can take place as quickly as possible given the time constraints of the Fund, and the mandate to spend specific funding in allocated years.

### **Covid-19 Additional Relief Fund (CARF)**

51. On 25 March 2021 the Government announced a new COVID-19 Additional Relief Fund (CARF) of £1.5 billion to support those businesses affected by the pandemic but who were ineligible for existing support linked to business rates.
52. City of York Council's Business Rates Team was able to apply relief to those businesses who met a stringent set of criteria, and in a position to pay up to 70% of the net liability discounted to 952 local business.
53. The scheme, now closed, allowed the Council to give a further £4,652,354 to support businesses impacted by COVID 19 trading restrictions.

### **Consultation**

54. Consultation and engagement on the economy, and related issues, through Members and officers, partners and residents are a 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

### Author:

Simon Brereton  
Head of Economic Growth

### Chief Officer Responsible for the report:

Tracey Carter  
Director for Housing, Economy and  
Regeneration

Report  
Approved



Date: 21<sup>st</sup> October 2022

**Wards Affected:** List wards or tick box to indicate all

All

**For further information please contact the author of the report**

## Glossary:

BDC – Biorenewables Development Centre  
BoE – Bank of England  
CARF – Covid-19 Additional Relief Fund  
DIT – Department for International Trade  
EBRS – Energy Bill Relief Scheme

EPG – Energy Price Guarantee  
FSB – Federation for Small Businesses  
LEP – Local Enterprise Partnership  
ONS – Office for National Statistics  
SME – Small and medium (business) enterprises  
UKSPF – UK Shared Prosperity Fund