

Quarterly Economic Update

Summary

1. In what is now 12 months of various states of lockdown and social distancing, the past quarter has been the most consistent in terms of trading conditions for our business community. January 2021 saw a sudden and decisive move back to national lockdown, and the consistent period of closure since the start of the year, together with the support provided for businesses through grants, loans and furlough, has made a difficult period for the economy easier to deal with than the constant changes experienced through summer and autumn 2020.
2. Our work in City of York Council (CYC) has focussed on distributing those grants, continuing our close work with the business community, and developing solid plans to support the reopening of the city when that is allowed to happen. We continue to provide grant support for over half of York's 7,000 companies, getting mandatory rates-related grants swiftly and efficiently to those who are entitled to receive them, and focussing discretionary grants on the small and micro businesses that need them most.
3. Informal feedback, together with the emerging results of our evaluation of the effectiveness of micro-grants, shows the value of our "small grants to small business" approach. The Council's faith in grass roots business as the foundation of our economy and in engaging direct with them rather than through other larger entities is well received by the business community. The money we have provided through the 2020 microgrant scheme and our approach to distributing the Additional Restrictions Grant (ARG), with grants of £1000 to £3000 going to over 1,200 businesses, has made a real difference. It has enabled micro-businesses to change and adapt, and given confidence that the city values our foundation economy. Outside of York, such businesses are still awaiting support. Here, they have been at the heart of our response, and we are determined

to continue our approach and encourage others to adopt “the York model” of inclusive growth.

4. Businesses that have got this far are confident of re-emerging when lockdown lifts in early summer, however the strains of social distancing and forced closure has had a profound effect on many company owners and employees. We continue to work closely with our business networks and seek to respond where we can to emerging issues such as mental health, changing premises needs, changing skills needs and the challenges of trading in the city centre and beyond.
5. Many of our “Anchor institutions” are faring well. Large employers such as Aviva, LNER and CYC itself continue to work predominantly from home. Our Universities are coping well with the challenges of social distancing, with many of their students studying remotely but longing to get back to York and a more active life.
6. Recent announcements regarding Nestle’s plans for their York offices and Bosch’s expanding ETAS smart transport subsidiary demonstrate that York remains attractive for inward investment. As set out in our paper to the Executive Member’s November 2020 decision session, we are currently working with both Make It York and the LEP to consolidate and expand our inward investment teams, seeking to bring more investment to the city and increase opportunity for the people of York.
7. Feedback from the professional services sector and larger employers shows we are right to have confidence in the city’s economy. Patterns of use of space will change from how they were pre-2020, but that is not a threat to the York economy. Indeed, we are more confident that our office capacity, and the nature of York’s unique city centre offer, can cope with this change and that the range of occupiers we identified for York Central – regional centres of 100-500 staff, together with “niche corporates” – should remain our target market. The inward investment plan which will accompany the Economic Strategy will set this out in more detail.
8. Notwithstanding this confidence in our future, 20,000 York employees and self-employed are still furloughed or on Government support packages. Unemployment has remained stable and is beginning to fall, with the claimant count at just less than 5,000 for the past 9 months. With furloughing extended to September in the Chancellor’s March 2021 Budget, the period of concern has shifted to when that support ends and employers will have to choose whether to bring staff back or accept that roles have become

redundant. Our one year skills plan seeks to address this, and is presented separately to this decision session.

9. Our regular close engagement with business networks continues and will be “business as usual” in future. We thank once again our colleagues in the Federation of Small Businesses, Chamber of Commerce, Institute of Directors, York BID, Indie York and Make It York. The spirit of collaboration remains strong, and has been central to our approach. For example, through these networks, key issues around mental health emerged in January and February, and we are now working with York St John University to first properly understand how we can help, and then implement a programme of support through those networks.

Recommendations

10. The Executive Member is asked to note the contents of the report.

Reason: To support York’s economic response to the COVID-19 pandemic.

State of the Economy

11. This report covers the period January 2021 to March 2021. Following a period of Tier 2 status in December 2020 which saw strong but constrained trading in the retail and leisure economy, the national restrictions which started in January have seen a move back into full lockdown. Much of the consumer economy remains closed, awaiting the move through the steps which were announced in the Government’s roadmap to recovery in February 2021.
12. In the wider economy, many companies have continued to trade well, with national surveys¹ suggesting that around half of all businesses have seen decreased turnover, a third are unaffected by lockdown, and more than 10% have seen turnover increase. Nationally, 70% of businesses have all of their sites and premises open, and around 19% of the national workforce is furloughed, with that scheme available until September 2021.
13. The same survey suggests that 30% of all businesses, and 51% of those in the hospitality sector, are carrying less than 3 months cash reserves, putting them at significant risk of failure in the months ahead. Much of the effort, both locally and nationally, to shore up

¹<https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/businessinsightsandimpactontheeconomy/11march2021>

the economy has focussed on providing grants to help business cashflow. As discussed above, York has continued to distribute such funds widely and quickly, and our policy of modelling expenditure to reflect a longer period of lockdown than was indicated in headline announcements has proved to be wise. We retain sufficient discretionary funds to support further delays in moving through the roadmap steps.

14. The Chancellor's 2021 Budget saw a shift in focus from support through lockdown to providing help to reopen later in the year. A new portfolio of grants and loans have been announced, with the detail still to emerge. The extension of furlough to September underlines some of the detail accompanying the roadmap to recovery, which suggests that a move every 5 weeks through the steps represents the best case scenario but that there is a possibility that this roadmap might be delayed subject to public health considerations.
15. The impacts of changed border arrangements following EU exit are beginning to be seen in economic data. UK Trade figures for January 2021² show a 40.7% reduction in exports to the EU, and imports from the same territory down 28.8%. Clearly, January 2021 was not a normal month, with both a national lockdown and the first few weeks of new arrangements in place. Local businesses had reported some stockpiling at the end of 2020, and this too will be a factor in these reductions. There are signs from the Business Impacts survey referred to above that both imports and exports began to rise again at the end of January.
16. Local productivity figures – Gross Value Added (GVA) by Local Authority– are awaited, with the last publication being in February 2020. National Gross Domestic Product (GDP) figures³ show a fall in January 2021, consistent with the national lockdown and 5% below “normal” levels. These figures, together with the trade data, demonstrate that we still have some way to go in measuring the impact of the covid pandemic on the economy, with difficult times ahead. As highlighted above, 20,000 people in York are still reliant on furlough and self-employed support schemes, and it is at the end of those in September when the short term impacts will become more evident. Recovery will take at least 2 years, with some models

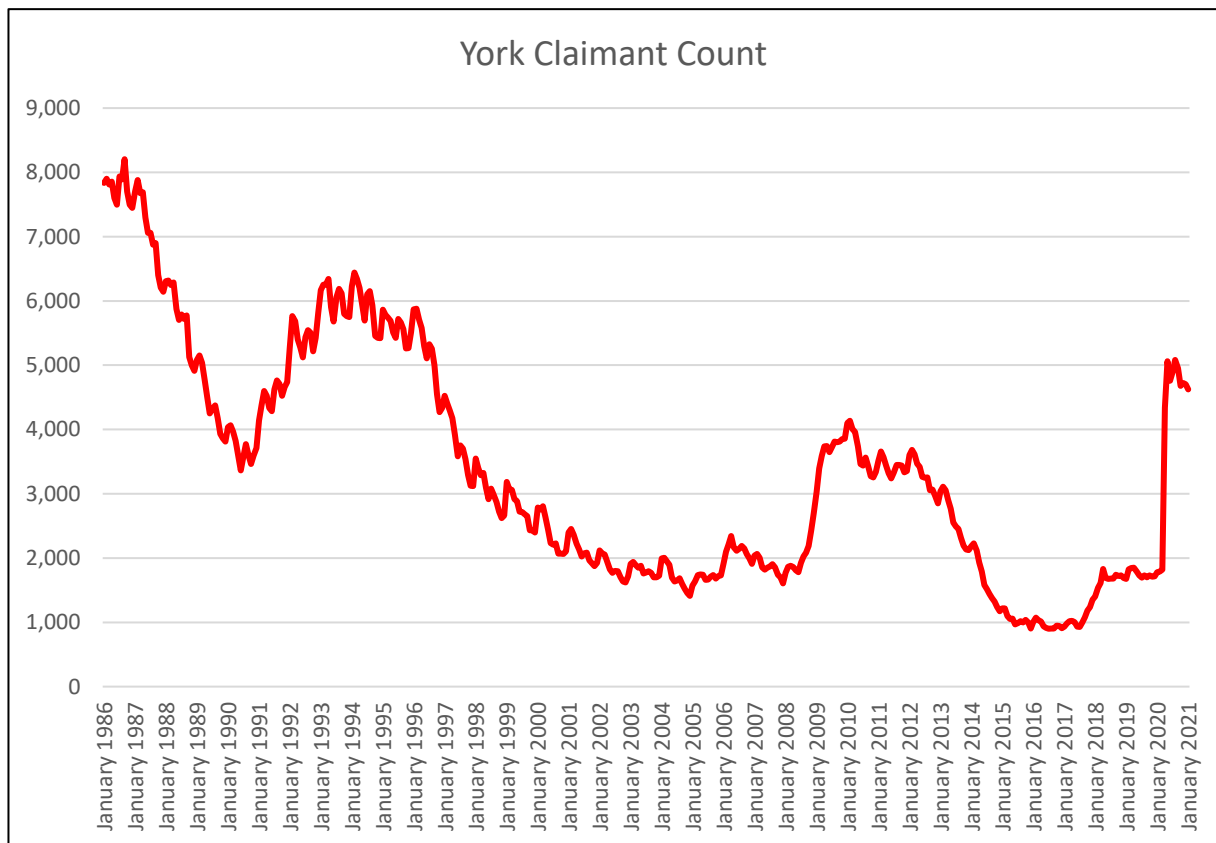
² <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/january2021>

³ <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofproduction/january2021>

suggesting a slower 5 year return to pre-2020 levels of employment and productivity.

Unemployment (Annex 1 pp.12-13)

17. The impact of the COVID pandemic is shown very clearly in the claimant count⁴ shown in Fig 1 below. This saw the largest increase in at least 35 years in the months since lockdown when the count rose from 1,800 to 5,000 in April 2020, however the total has been falling since then.
18. Centre for Cities have been monitoring increases in unemployment across their cohort of 68 UK centres⁵. York continues to be the city with the lowest percentage increase in unemployment, despite the influence of our retail, tourism and hospitality businesses. Cities such as Bradford, Hull and Birmingham have seen unemployment rise at nearly 3 times the rate that York has experienced.



19. As previously noted, two factors are influencing our claimant count statistics.
 - We know that many of the city's students undertake part time work to support their studies, typically in the retail, tourism and hospitality

⁴ Data from <https://www.nomisweb.co.uk/query/select/getdatasetbytheme.asp?collapse=yes>

⁵ <https://www.centreforcities.org/data/uk-unemployment-tracker/>

sectors. As students were sent home at the start of lockdown, they do not show in the York claimant count.

- As the claimant count measures those receiving out-of-work benefits, and its availability is influenced by other sources of household income, this is perhaps a consequence of the high level of part time work in the city, with many of those now out of work unable to claim benefits.
20. Updated figures for the Job Retention Scheme (JRS) and Self Employment Income Support Scheme (SEISS) have been published by Government⁶. These show a total of 15,600 people furloughed by York employers at the end of January 2021 and a further 4,700 claiming self-employed support at the end of December 2020. The total number of people reliant on these grants is thus 20,300.
 21. The Job Retention Scheme is set to continue until September 2021, and those furloughed on the scheme remain at high risk of losing their jobs in the coming months. Our unemployment support, set out in the Skills paper also reporting to this Decision Session, will need to support such workers, alongside those who have already lost work, whether they are able to claim benefits or not.
 22. The Government KickStart scheme seeks to match unemployed young people with placements in local employers. After the initial interest from the August launch, the autumn period of 2020 when the KickStart programme was publicised to both organisations willing to apply to coordinate over 30 placements on behalf of employers, and all employers to engage with supporting placements, the approval of Gateway Organisations both nationally and locally became slower than expected due to volume constraints in the process, and internal acceptance and processing workloads at DWP. It should be noted that during this time DWP staff were also predominantly remotely working.
 23. On top of this, effects of firstly the early autumn lockdown, and then January to March lockdown, has slowed the number of employers being able to offer placements of any number across most affected sectors of employment. However, in the weeks since mid-January the pace has quickened with the now approval of local Gateway Organisations, and hence commencement of the processes for the placements they have secured from employers.

⁶ <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-february-2021> and <https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-january-2021>

24. The general response in the York area is regarded as very positive by DWP, and there has been a good response from employers enquiries that are now in process. So, now there are vacancies in all stages of identification, uploading, advertising, matching of candidates, interviewing, selecting and now commencing placement. Some already agreed placements from late 2020, including approximately 20 with LNER, had their starts delayed from early January and are now starting to commence from March into April.
25. The DWP will not confirm exact numbers as they are working with Gateway Organisations, their own Work Advisers and the candidates on UC to advertise and match candidates, under rules of non-disclosure. However, the City of York Council Skills & Apprenticeship Hub is aware by working closely with one of the significant approved local Gateway Organisations, NYBEP, that they have 17 vacancies available and are working on a further 50 in the immediate pipeline. The Hub is also aware that YourConsortium, well known to the Skills Team in York, have recently achieved Gateway Organisation approval and are believed to have a similar number available as that would be required to achieve the approved status.
26. The Hub is also aware that nationally the FSB in partnership with Training Provider Adecco have secured approved Gateway Organisation status and that locally there is good expectation that it will support FSB members in region.
27. More information is available from:
- <https://nybep.org.uk/kickstart>,
 - <https://yourconsortium.org/?s=KickStart> and
 - <https://www.fsb.org.uk/campaign/kickstart-scheme.html>
28. The Business Engagement Adviser within the CYC Skills and Apprenticeship Hub, has been handling about 4 enquires a week from employers about KickStart since around early November, with some drop off in early January. Impartial advice, guidance and sign posting has been given to answer employers questions and to engage them with suitable Gateway Organisations.
29. It should also be noted that from the launch of the KickStart programme in York, DWP identified a significant % of around 50% of the potential candidates between 16 and 24 and on UC, and or at risk of long term unemployment, were of an existing graduate level.

This factor has been much considered in promoting and scoping the type of KickStart placement job roles.

City centre economy (Annex 1 & Annex 3)

30. Our Springboard footfall counter data, (Annex 1 p3), shows the overall pattern of the year to date. The initial lockdown in March, April and May saw city centre customer numbers consistently below 30% of normal levels. With the easing of restrictions in July and August, people returned, with the peak at August Bank Holiday seeing levels above 80%. A slow but steady decrease across September saw levels in October down to around 60% prior to the second national lockdown in November, which brought numbers down to less than 40% of typical levels. December saw a return to higher levels of footfall with York in Tier 2 through the Christmas shopping period.
31. Since January 2021, footfall has been at levels last seen at the end of the first national lockdown in June 2020. The closure of non-essential retail and hospitality and leisure businesses, together with clear messages to leave the home only for essential trips has clearly had its desired effect.
32. As Annex 3 makes clear, footfall has been higher in January and February than it was in the early stages of the initial lockdown last year. As would be expected, 91% of those in the city centre have been from York or the surrounding local authority districts of Harrogate, Hambleton, Selby, Ryedale and East Riding of Yorkshire. The map on p.5 of Annex 3 shows where those in York city centre have come from, with the top locations being these neighbouring authorities, then elsewhere in Yorkshire, Durham, Manchester and Newcastle. We know that York is a much-loved destination for people from across the UK, and once restrictions are removed, can anticipate many more visitors to return to the city.
33. Shop vacancies in the city centre continue to rise (Annex 1 p4), but remain below national levels. Coney Street is particularly badly hit at present by national chain failures, and is the subject of a study into the future of both the street and the river frontage to shape future proposals. York Retail Forum is actively working to attract new shops to the city, while the resumption of the MyCityCentre initiative in coming months will also seek to make a positive impact and ensure that York retains a vibrant city centre culture. Outside

the city centre (Annex 1 p5) vacancies have decreased in Acomb, Clifton Moor and Monks Cross, and remain very low in Haxby.

Tourism (Annex 1 p4 + Annex 2)

34. Make It York's Tourism dashboard for December 2020 shows the scale of impact on that sector. While overall footfall remained at 70% or so through December, visits to our smaller attractions were down 80% on the year, and our hotels saw much reduced occupancy.

Regional updates

35. York and North Yorkshire LEP has begun to consider how their approach to Inward Investment might develop in coming years. A paper to their Business Board⁷ outlines their initial approach, focussing on key sectors such as Agri-Tech and available sites in Selby District and elsewhere. Discussions have begun to bring together our York approach with the broader aims of LEP and deliver a unified offer to potential investors.

Economic Strategy

36. Work continues to take place on developing a new Economic Strategy for York, with the approach outlined at the Executive Member's October 2020 Decision Session, and a detailed update provided at the Executive Member's January 2021 Decision Session.
37. Current activity is focused on developing plans around public engagement. This will follow a two-step process; an online survey for businesses, residents and partner organisations, and targeted focus groups to enable a broad range of views and ideas to be collated, especially from audiences that would not traditionally engage with the Council through our usual channels.
38. A detailed update on engagement activity will be presented to the Executive Member's April Decision Session. Consultation activity for the Council's new Economic Strategy is planned for late spring / early summer, with Executive sign off scheduled for December 2021.

⁷ <https://www.businessinspiredgrowth.com/publication/210208-yny-business-board-papers/>

BID Ballot update

39. The BID renewal ballot is in progress, running from the 18th February to 18th March 2021. Although the current COVID restrictions may have an impact upon turnout, early predictions are that a high proportion, around 80% of those who have voted, are in favour of a second term for the BID. The BID team and Street Rangers are making a concerted effort to chase up supportive business who have not yet cast their votes, prompting them to return their papers, or issue replacements where required. Two weeks in to the ballot, returned papers are estimated to have come from around 17% of businesses, with the number of votes cast expected to increase significantly by the time the ballot closes. Results from the ballot will be announced after 5 p.m. on 18th March.

Secondary shopping areas

40. The Future of Acomb Front Street pilot began in Sunday 7th March, with the full launch of the project taking place during the third week of March. The Council has commissioned a study to better understand the needs of Acomb Front Street, the traders who work there and the evolving needs and expectations of those who use the area. A questionnaire will seek clarity around how best to support Front Street in gaining productivity growth and boosting footfall. A draft report is expected the week commencing 31st May, at which point further detail will be shared.
41. The Haxby Retail Study has emerged in recognition of the requirement to better understand the needs of the local community, planning for a healthier, sustainable life for residents, and providing a 21st Century place to live, work and visit. The aim is to create a thriving future for Haxby and Wigginton as a robust micro economy, and the outcomes of this study will be used to identify both quick wins and longer term initiatives, built upon the aspirations of local residents, businesses and visitors. The preferred start date for this is the week commencing May 10th, with the project scheduled to run for 16 weeks.
42. On March 25th, the Executive Member will chair a roundtable session with guests invited from Traders' Associations and small businesses from various sectors across York. Also invited are the Federation of Small Businesses, representatives from the LEP and the Council. Delegates will share their views and concerns about reopening post-lockdown, be asked how they may wish to use funding available through the Inclusive Growth Fund, and to set out what support they would like to see from the Council and other

partners to aid footfall and trade. This engagement with small, local businesses is seen as an important pre-cursor to emerging from the current lockdown, as well as beginning to gather information about key issues that need to be addressed in the forthcoming Economic Strategy.

Consultation

43. Consultation on the economy and our COVID response has been through weekly intelligence calls with key partners, the civic partnership structures, 12 sector roundtables and regular meetings of the Executive Economic Recovery Group.

Council Plan

44. 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

45. **Financial** – no new financial commitments.
 - **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

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

Contact Details

Author:

Simon Brereton
Head of Economic Growth
Economy & Place
simon.brereton@york.gov.uk

Chief Officer Responsible for the report:

Tracey Carter
Interim Director of Place

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Approved

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the author of the report

Abbreviations:

BID – York Business Improvement District

FSB – Federation of Small Business

Chamber – York & North Yorkshire Chamber of Commerce

IOD – Institute of Directors

LEP – York and North Yorkshire Local Enterprise Partnership

NYBEP – North Yorkshire Business Education Partnership

Background Papers: None

Annexes

Annex 1: Economic Recovery Data Pack – Feb 2021

Annex 2: Make It York Tourism dashboard Dec 2020

Annex 3: City Centre Performance, Jan & Feb 2021