

Brighton & Hove City Council

Greater Brighton Economic Board

Agenda Item 20

Subject: Economic Outlook for Greater Brighton

Date of meeting: 7 February 2023

Report of: Chair, Greater Brighton Programme Board

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Ward(s) affected: All

For general release

Note: The special circumstances for non-compliance with Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the report was awaiting further input and information from external partners.

1. Purpose of the report and policy context

- 1.1 Since spring 2022, a cost-of-living crisis has gripped the UK, affecting both households and businesses. Inflation peaked at around 11% towards the end of 2022, with the rising costs of energy, fuel, food, and raw materials being the major drivers. The Bank of England raised interest rates to 3.5% in December in an attempt to curb soaring inflation, increasing the cost of borrowing to consumers and businesses with mortgages and other loans.
- 1.2 The rising cost of essentials such as energy and food, compounded by the increase in the cost of borrowing have put a huge squeeze on household and businesses finances. The erosion in household disposable income is the most significant witnessed in a generation. As a result, towards the end of 2022 and now into this year, there have been a series of strikes across a number of sectors, as workers and unions demand pay rises in line with inflation to protect current living standards.
- 1.3 The Government has also confirmed that the current energy support for businesses will end in March with the new Energy Bills Discount Scheme after March offering less support. At a time of soaring energy costs and low consumer confidence, for some businesses this will mean the difference between being able to continue as a viable business or not. Nationally, the number of firms on the brink of insolvency jumped by more than a third at the end of 2022. Further research is required to understand how many businesses in the city region are at risk.
- 1.4 There is also a knock-on effect of the cost-of-living crisis for both businesses and residents in terms of affordable housing. This is one of the most pressing issues affecting those on low incomes as private sector rents have increased and the hike in interest rates makes mortgages unaffordable for many

prospective homeowners. Meanwhile, residential housebuilding in the UK has fallen as the housing market slows down due to inflationary pressures, supply chain disruptions, as well as labour and materials shortages. For employers, the rising housing costs, and lack of affordable housing affect labour market mobility.

- 1.5 As agreed at the October 2022 Board meeting, the Institute of Employment Studies (IES) have been commissioned to conduct research and analysis into the impact of the economic turbulence in Greater Brighton. The research has primarily focused on the impact on businesses and residents associated with rising costs, increasing interest rates and ongoing uncertainty.

2. Recommendations

- 2.1 That the Board notes the findings and recommendations of the report by IES on the current economic outlook for the city region.
- 2.2 That the Board tasks the Greater Brighton Programme Board to look at actions and interventions that can be made by Greater Brighton to support businesses and residents through the cost-of-living crisis, as well as opportunities for economic growth and aligned funding bids.
- 2.3 That Board agrees to set aside circa £20,000 to commission work on a city region dashboard and regional analysis, with specific focus on skills, housing and business support. The expectation is that a quarterly report will come to the Board with an update on the economic outlook with a focus on a key priority area and proposed recommendations for interventions.
- 2.4 That the Board agrees a letter should be sent by the Chair, on behalf of the Board, to the Chancellor and the Secretary of State for Levelling Up, Housing and Communities, calling for more support for businesses in the city region and sustainable funding, to address inequalities and local imbalances within the region, in line with the Levelling Up agenda.
- 2.5 That the Board acknowledges the response from the Secretary of State for Levelling Up, Housing and Communities, attached as an Appendix and welcomes the offer of officials from the Department visiting the city region.

3. Context and background information

- 3.1 Throughout the economic challenges witnessed since last spring, Greater Brighton local authorities and other partners have been doing what they can to support residents and businesses with very limited resources and have therefore targeted the households and residents most at risk from the cost-of-living crisis. A number of these interventions and initiatives were highlighted in the report that was presented to the Board in [October 2022](#).
- 3.2 Understanding the impact of the cost-of-living crisis and what can be done about it is a clear priority for the Board and its partner members. To that end, at the [October 2022](#) Board meeting it was agreed to commission IES to conduct research and analysis looking at the economic outlook across the city

region. Using a mix of quantitative and qualitative data, the aim was to draw out the likely impact of the economic challenges on our businesses with particular focus on the sectors and geographic areas that are most at risk from rising costs of living. The work involved the three main components below:

- Scoping discussions with leads in each council to understand the approach they are taking now, what analysis they have done, what they plan to do, key gaps
- Discussions with the business community to explore current and future concerns and challenges
- Desk based research and analysis on latest (national) analysis of impacts of costs of living crisis on different demographic groups, sectors, occupations

3.3 The analysis by IES focused on 5 key dimensions:

- Rates of benefit receipt – levels and changes
- Levels of deprivation – from Index of Multiple Deprivation
- Salaries – estimated based on occupational breakdowns
- Housing – prices and tenures
- Employment risks – those industries most/least at risk from economic slowdown

3.4 The IES report presents the national economic picture while focusing on the impact of the cost-of-living on residents and businesses in the Greater Brighton city region. The report recognises that while the impact of the cost-of-living crisis is being widely felt, there are specific groups who are more vulnerable to falling into poverty. The analysis highlights the key geographic areas across the city region that are feeling the greatest impact as a result of rising interest rates and/or low incomes, as well as the impact on those in different housing tenures. The report also provides analysis on the impact on the labour market and risks to specific industries.

3.5 The recommendations included in the report focus on 5 key areas for consideration by the Board. There are two linked recommendations around greater coordination and information sharing across local authorities, to collate data insight and work together to share practice and approaches. It is proposed that this is achieved through a city region economic dashboard and establishment of a sub-group, which are included in the recommendations of this report.

3.6 There is also a recommendation for local authorities to provide targeted, place and group-based support. This builds on the work that is already underway through individual local plans that councils have in place to support their communities and staff through the cost-of-living crisis. The IES report provides useful data and analysis on places in the city region where there are likely to be particularly high levels of need as well as groups who may have

greater or different support needs, like large families, people with disabilities and students.

- 3.7 The report recognises the challenges for the labour market and highlights the risks that could lead to a further slow-down of the labour market. It is recommended that joined-up work with local services such as job centres, community organisations, as well as colleges and training providers, could support people into employment. Employers can directly support staff by providing information and advice on money as well as signposting to tools for financial planning and making discretionary financial support available to staff.
- 3.8 This snapshot analysis from IES provides insight on the current impact of the cost-of-living crisis across the city region. The next step will be to request that the Greater Brighton Programme Board use the analysis to develop immediate actions and interventions that can be made at a Greater Brighton level to support businesses and residents through the cost-of-living crisis. This may be via establishing a focused sub-group. The group will also be charged with exploring opportunities for economic growth and the potential of aligning funding bids across city region partners.
- 3.9 This work has shown the value of better monitoring the economic outlook for the city region and comparing how Greater Brighton performs against other parts of the country. It is therefore proposed that a basket of key economic indicators is tracked, monitored and regularly reported to the Board going forward. To do this the Board Support Team is going to lead on the development an economic dashboard. The recommendation is that the Board Support Team works with an external organisation with experience in analytics to shape and establish the dashboard, which will then be maintained by the Board officers.
- 3.10 The dashboard will focus on skills, housing and business support, ensuring that interventions can be made as soon as possible to help businesses while taking a longer look at potential challenges in terms of skills and labour shortage and the linkages with affordable housing. A regular quarterly update will be brought to the Board for consideration with the latest data and analysis, allowing for future interventions and action to be determined more swiftly.
- 3.11 The Office for National Statistics (ONS) has also agreed to include the Greater Brighton City Region in its regular annual Regional Accounts outputs. This will provide annual statistics for gross domestic product, gross value added, and gross disposable household income, published in the same datasets currently available to combined authorities and other city regions.
- 3.12 It is vital that the voice of the city region is heard by decision makers in Government and that businesses are represented by the Board at this challenging time. Furthermore, the outcome of Levelling Up Round Two is one of disappointment, so now is the time to call for more support for

businesses in the city region and make the case for sustainable funding, to address inequalities and local imbalances within the region, in line with the Levelling Up agenda.

- 3.13 The Board support team will follow up with the Department of Levelling Up, Housing and Communities (DLUHC) to arrange a visit by officials to the city region and it is included in the recommendations of this report that further letters be sent by the Chair to the Chancellor and the Secretary of State for DLUHC.

4. Analysis and consideration of alternative options

- 4.1 The purpose of the IES Study was to provide rapid information and analysis so that the Board could understand the economic impact of the economic turmoil on the City Region. Only by understanding the impact can the Board make informed decisions around possible interventions.

- 4.2 In order to utilise the findings of the study and make the next step towards developing some interventions, it is advised to bring a group together to do this. The pooled expertise and experience of the group will generate better outcomes than if unilateral decisions were made around the next steps.

- 4.3 The Greater Brighton City Region economy has enjoyed a fairly sustained period of economic stability, buoyancy, growth and in general improving living standards for the majority of residents. However, the current economic situation, which looks set to continue well into 2023, poses a real challenge to this prosperity, both to businesses and residents. It's at this sort of time that the absence of an economic monitoring tool or dashboard is noticeable, but this is going to be remedied in the near future. Once an economic dashboard is in place, the Board will be able to track the performance of the economy and will be able to make informed decisions around what actions can be taken with the latest data available.

5. Community engagement and consultation

- 5.1 The methodology employed by IES to carry out the study involved engaging with local authorities and other partners to understand what work is already being done and assess where the current gaps may be.

- 5.2 Consultation or engagement on any actions or interventions that the Board wishes to make, will be considered on a case-by-case basis, and will be performed where deemed prudent to do so.

6. Conclusion

- 6.1 The research and analysis by the Institute for Employment Studies provides the latest available data and information showing the impact the cost-of-living crisis is having on the city region's residents and businesses.

- 6.2 The development of an economic dashboard and more frequent analysis of the city region economy through key indicators and focused on thematic areas

will enable the Board to maintain a focus on a strategic and coordinated approach to support the city region's businesses and residents through this period of economic turmoil.

- 6.3 The report to the Board in October 2022 marked the start of this process and the economic dashboard proposed will provide a tool to monitor the impact on the city region economy and determine interventions the Board can make going forward.

7. Financial implications

- 7.1 A contribution of up to £20,000 will be made from the Greater Brighton Economic Board operational budget will be made to commission the work on a city region dashboard and regional analysis. This report will be presented back to this Board and any further financial implications addressed at that point.

Name of finance officer consulted: Rob Allen, Principal Accountant

Date consulted 31/01/23:

8. Legal implications

- 8.1 The purpose of the Board is to bring about sustainable economic development and growth across Greater Brighton, including coordinating economic development activities and investment at regional level. The panels referred to above are advisory and non-decision making.

Name of lawyer consulted: Wendy McRae-Smith, Senior Lawyer

Date consulted: 31/01/23

9. Equalities implications

- 9.1 The impact of the cost-of-living crisis on businesses and individuals will directly entrench existing inequalities. The IES study evidences the impact the crisis is having on vulnerable households and the geographic areas of highest deprivation most at risk from current economic conditions.

10. Sustainability implications

- 10.1 None directly arising from this report. However, it is noted that the global energy crisis, caused by high energy prices, has contributed to high inflation, pushed people into poverty and slowed economic growth. The current economic and climate crises illustrate the need for rapid progress to a greater supply of clean energy sources and technologies that would protect consumers and business and mitigate if not avoid the upward pressure on fuel prices they are currently facing.

Supporting Documentation

Appendices

1. Institute for Employment Studies report (Jan 2023) - Cost of Living Impacts on Greater Brighton
2. Letter of the 17 January 2023, from the Secretary of State for Levelling Up, Housing and Communities, Rt Hon Michael Gove MP, to the Chair of the Board.

