North East Combined Authority

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Economic Development Digital Advisory Board

Tuesday, 26 September 2023 at 2.00pm

Meeting to be held at: Committee Room A, South Shields Town Hall, NE33 2RL

www.northeastca.gov.uk

AGENDA

Contact Officer: Toby Ord
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Item 3

Economic Development and Digital Advisory Board

Draft Minutes for Approval
7 March 2023

(2.00pm – 2.45pm)

Meeting held at: Committee Room 2, Durham County Hall, DH1 5UQ

Present:

Councillors	T Dixon (in the Chair), E Scott, G Miller.
Co-opted Members	
Officers	Rory Sherwood-Parkin (Corporate Lead for Policy & Insight – South Tyneside Council), Guy Currey (Director – Invest North East England), Gavin Armstrong (Policy and Scrutiny Officer – NECA), Toby Ord (Strategy and Democratic Services Assistant – NECA)

1 **APOLOGIES FOR ABSENCE**

There were no apologies for absence.

2 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3 **MINUTES OF THE MEETING HELD ON 12 JULY 2022**

The minutes of the previous meeting held on 12 July 2022 were approved as a correct record.

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4 **ECONOMIC UPDATE**

Submitted: Report of the Corporate Lead for Policy and Insight, South Tyneside Council (previously circulated and attached to official minutes).

Rory Sherwood-Parkin delivered a presentation including analysis and commentary on latest economic figures, ongoing challenges faced by businesses, as well as local economic trends.

A brief overview of the economy was provided, noting that the UK narrowly avoided a recession at the end of 2022, with 0% growth in the final quarter. The Bank of England (BoE) and the Office for Budget Responsibility (OBR) expect a recession in the near future, though this is now presumed to be shallower than first thought, nor will it last as long. Current estimates are four to five quarters. There has been minimal GDP growth and businesses continue to express concern surrounding energy costs and supply chain shortages. Cost of living remains an issue, with inflation reaching 10.1%. Further rises to bills for businesses and households in April are expected, also posing worry.

The British Chamber of Commerce's Quarterly Economic Survey reports that businesses have found it difficult to recruit new staff. Reports from NatWest were said to have identified a fall in business activity in the North East, whereas Lloyds reported a rise – a contradictory, uncertain picture. Corporation tax is expected to rise to 25% from 19% in April.

It was noted that any growth throughout 2023 will be minimal, and the likelihood of unemployment increasing significantly will only grow if concerns are not addressed.

It was noted that the high claimant count throughout the pandemic has fell drastically from 7.5% to 4.2%, with falls plateauing slightly. Many were said to have left the labour market following covid due to ill health, long term sickness, early retirement or becoming students, however this has begun to change, with many beginning to return to the job pool. Employment and unemployment have both risen, this is thought to be resultant of inflation and an ongoing skills / recruitment mismatch.

The Board was made aware that the Chancellor's Spring Budget will be revealed on 15 March, accompanied by the Budget Responsibility Forecast. It was noted that the OBR and BoE have both struggled for accuracy on their forecasts for the past 4-5 years due to uncertainty. Energy price cap is likely to remain at £2,500. The rest of the budget is likely to be inflation orientated, with fuel duty frees and cuts to alcohol duty likely, though there will be no further energy support.

There is also possibility of a mention for investment zones, as well as the next round of the Levelling Up Fund and household support funds for Local Authorities and vulnerable residents. Hope exists for a focus on supporting the economically inactive into work close to the labour market.

The Local Government Association have requested a proper settlement for Local Authorities as 90% of Councils are looking to cut spending or dip into reserves in light of the current economic situation. They've also requested further support for Councils in such areas, particularly in regard to Adult Health and Social Care, as well as Net Zero policies and the Leisure industry too.

The North East Chamber of Commerce (NECC) has requested more business investment incentives, along with support for research and development, and free school meals to alleviate pressure on families. The Federation of Small Businesses requests coincide with the NECC's, with additional calls for business relief for small and medium-sized enterprises (SMEs).

Concluding, it was noted that Local Authorities aim to work closely with businesses and residents in the coming months to help combat aforementioned issues, getting the economically inactive back into work. Guy Currey added that the issues mentioned resonate with Invest North East England's investment activities.

Councillor Miller thanked Rory for his summary, concurring that there is a mixed picture, with claimant count down but unemployment up with one million vacant jobs. He added that the public reassessed their work life balance through the pandemic, leading many to leave the workforce for good. It was noted that the UK lacks an industrial plan, with little strategic vision for a happy workforce. Industries are unable to match more lucrative roles with more attractive terms.

Members discussed worker benefits such as subsidised and funded travel when starting or finishing work during unsociable hours, stating that workers must be incentivised to carry out these roles. Businesses must recognise workforce requirements.

The Chair commended and noted thanks for all essential workers, as well as for Rory and Guy for their contributions. Rory noted that businesses haven't noted the increase in corporation tax as an issue, with concerns directed at energy costs, especially for manufacturers and small businesses. The increase in corporation tax is likely to hit SMEs the hardest. With reference to the Levelling Up fund, it was also noted that Local Authorities who have already been successful cannot bid again following.

Councillor Miller added that NECA has a strong group of Leaders who all have trust and faith in one another. He noted a requirement for a focused local strategy, working with the Government, partners, the voluntary sector, and all other relevant parties to fully exercise our ability to achieve our goals.

RESOLVED – That:

i. the report and presentation be noted.

5 **DATE AND TIME OF NEXT MEETING**

Tuesday 25 April 2023 at 2.00pm.

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Item 4

Economic Development and Digital Advisory Board

Date: 26 September 2023
Subject: Economic Update
Report of: Rory Sherwood-Parkin, Corporate Lead – Policy & Insight

Executive Summary

The purpose of this report is to provide a summary of the current economic and labour market picture in the NECA area, its impact and upcoming key events.

The report highlights concerns around slow growth, inflation and consumer confidence, but points out that the labour market is proving mainly resilient (although economic inactivity remains a key issue) and there are some key areas of growth.

Recommendations

The Economic Development and Digital Advisory Board is recommended to note the contents of the report.

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1.0 Background Information

1.1 The report provides an update on the economy and labour market across the NECA area, which presents an increasingly complex and nuanced picture.

2.0 Complex picture

2.1 The economy in the NECA area continues to be impacted by national factors, particularly inflation and skills shortages. While the overall picture appears less gloomy than in previous months with positive employment and business sentiment, consumer confidence is changeable.

2.2 According to the latest Deloitte Consumer Tracker, consumer confidence in the North East has fallen by five percentage points between April and June, while the region’s sentiment on the UK economy dropped by 14 percentage points, higher than the national average.

2.3 The most recent business reports, and feedback from local authorities in the NECA area, suggests that the economy continues to be impacted by high inflation (input prices remain high for businesses with many struggling to pass them on) and energy costs (while wholesale rates are falling, many SMEs continue to be impacted, particularly those on fixed deals).

2.4 Despite a more positive market landscape than for a number of months (a finding supported by recent North East Chamber of Commerce and other regional reports), familiar supply chain pressures and cost headwinds have affected many North East businesses, including, but not limited to, utility and heavy manufacturing companies.

2.5 Covid's lingering impact on Far East manufacturers, market turmoil sparked by the conflict in Ukraine and energy price hikes at the end of fixed term contracts were said to have posed challenges for many. In addition, anticipated energy costs as we enter winter is said to be creating anxiety amongst North East businesses, particularly hospitality and visitor economy firms.

2.6 The sector are also reporting that access to affordable finance is reportedly challenging for companies whose business model relies on debt-based finance. Additionally, it has been reported that there is a large time lag for invoices to be paid across the visitor economy and hospitality supply chain making this situation worse with cashflow causing major problems for North East businesses.

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2.7 In addition, the cost of living is having a significant continued impact upon residents across the NECA area with food inflation remaining at really high levels, despite a reduction in the overall rate of inflation. The Bank of England are also inflation to rise in September before than falling again.

Skills shortages

2.8 Skills shortages continue to be reported by businesses. There is continued tightness in the labour market impacting, particularly but not exclusively, the care sector (especially domiciliary and care homes as well as the NHS), early years childcare, hospitality (particularly chefs) and the visitor economy.

2.9. There is also anecdotal feedback from employers that graduate level employees lack the necessary skills and analytical abilities to be job ready, questioning the pipeline of skills coming through educational organisations, with many commenting the work from home model has changed employee's attitudes to work.

2.10 The hybrid working model was said to be a challenge for employers both from an engagement and training perspective, again placing pressure on the time taken for the employee being trained to be able to carry out the work effectively.

Business growth

2.11 Positive news in the NECA area includes growth in video game development employment in the North East of 45.7 per cent, now accounting for 5.4% of all UK games development workforce, one of the biggest increases in employment in the UK video games development sector, according to new research.

2.12 In addition, positive stories from the expansion of Netpark, along with the logistics, digital and low-carbon sectors. However, Wilkos have gone into administration putting the jobs at sites in the NECA at risk, although B&M have bought 50 of the 400 stores nationwide.

2.13 Economic survey results released by the North East England Chamber of Commerce also show that business confidence has improved, with an average -13% reduction across all indicators of concern. It found that more organisations are preparing for future workforce growth and expecting inflation to stabilise, although issues around recruitment and cashflow remain.

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2.14 Price pressures around labour costs, utilities and fuel costs continue to be a challenge for businesses, and further data from the NEEC economic survey shows that businesses are experiencing long-term challenges with their workforce.

2.15 Energy costs remain a key issue, and this quarter 71.3% of survey respondents were concerned about energy prices. Feedback from local authorities across the NECA area suggest continued concern about the impact of inflation upon hospitality, accommodation, leisure and retail businesses in particular.

2.16 Moreover, reports from Deloitte suggest a sharp rise in business failures in the region.

2.17 Nationally, forecasts for the UK economy from most major forecasters have improved with predictions no longer of recession (and uprating by the Office for National Statistics of the extent of the economic bounce back after the pandemic), but of slow growth this year and next.

2.18 New regional data on GDP out over the Summer, albeit covering 2021, shows that the value of the North East economy was £48.7bn, three fifths of which was generated in County Durham, Newcastle and Sunderland. The North East was responsible for about 2.5% of the value of the English economy or 3.4% if London's economy is excluded.

2.19 In 2020, COVID and related restrictions had reduced the size of the economy, both nationally and locally. In both cases, 2021 saw the value of GDP rebound after this decrease, with annual increases of almost 8%.

2.20 In the North East, the increase in GDP in 2021 did not entirely wipe out the decrease of the previous year and the value of the economy was still slightly lower than in the pre-COVID year of 2019. In contrast, the GDP of England excluding London was 1.9% higher in 2021 than it was two years earlier.

2.21 Within the North East, the largest percentage increase in GDP from 2020 to 2021 was in South Tyneside (11.6%). Five of the other six local authority areas in the North East LEP area saw increases of between 7.5% and 10%. The exception to this was Sunderland, with the slower growth explained by the impact of the aftermath of the pandemic upon the automotive sector.

2.22 In percentage terms, GVA growth between 2020 and 2021 was highest in accommodation and food services as these industries bounced back. However, absolute growth has a bigger influence on overall GDP increases and that was largest in manufacturing and in wholesale and retail.

Employment and unemployment

2.23 The latest unemployment data (for March and April) showed positive signs in employment, unemployment and economic inactivity. There are clear indicators that employment has edged up recently. Additionally, in other good news, economic inactivity has edged down and unemployment has dropped slightly too.

2.22 Across the North East as a whole, the unemployment rate stayed steady at 4.2%, while the headline employment rate rose another percentage point to 74.7%, closing the gap to the national average of 75.7%.

2.23 As the North East LEP described, “the North East jobs market has made incredible progress over the past year.” The data “shows that employment in the North East region has increased by over 60,000 in the past 12 months. Although still lower than England as a whole, the working age employment rate is at its highest level since comparable records started over thirty years ago. The North East unemployment and working age economic inactivity rates are at their lowest levels.”

2.24 “It’s particularly pleasing that almost three-quarters of the increase in the North East’s employment in the last year has been due to increased female employment.”

2.25 The data for the NECA area (which, as it is local authority-level data is more time-lagged) is below. The headline rate of unemployment at 4.4% is below the same period last year (5.5%) and the claimant count remained the same for the third consecutive month, indicating that economic inactivity is the main issue nationally, regionally and locally:

	NECA	North East	Great Britain
Wider measure of unemployment (March 23)	4.4%	4.3%	3.6%
Claimant Count (July 23)	4.0%	4.1%	3.7%
Economic activity (Dec 22)	73.8%	74%	78.4%

2.26 Nationally, vacancy rates continue to fall due to economic uncertainty and pay continues to fail to keep up with inflation.

Upcoming events

2.27 The economic and labour market context in the NECA area is likely to be impacted by two major events taking place in the November; the Kings Speech setting out the Government's legislative programme and the Chancellor's Autumn Statement on the state of the public finances and statements on fiscal and spending priorities (22nd November).

3.0 Reasons for the Proposals

This report provides an update on the economic and labour market picture in the NECA area, part of the regular monitoring that takes place and which the EDDAB consider.

4.0 Alternative Options Available

There are no alternative options associated with this report.

5.0 Next Steps and Timetable for Implementation

A further update will be provided to the Board at subsequent meetings.

6.0 Potential Impact on Objectives

The activities under the Economic Development and Digital theme will support NECA in its aims to promote economic growth and regeneration in the area.

7.0 Financial and Other Resources Implications

There are no financial or other resource implications directly associated with this report as it is for information only.

8.0 Legal Implications

There are no legal implications arising from this report.

9.0 Key Risks

There are no specific risk management issues arising from this report.

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10.0 Equality and Diversity

There are no specific equality and diversity issues arising from this report.

11.0 Crime and Disorder

There are no specific crime and disorder issues arising from this report.

12.0 Consultation/Engagement

There are no specific consultation and engagement issues arising from this report.

13.0 Other Impact of the Proposals

There are no further impacts arising from the proposals.

14.0 Appendices

None

15.0 Background Papers

None.

16.0 Contact Officers

Rory Sherwood-Parkin, Corporate Lead – Policy & Insight, South Tyneside Council, rory.sherwood-parkin@southtyneside.gov.uk

John Scott, Head of Economic Growth, South Tyneside Council john.scott@southtyneside.gov.uk

17.0 Sign off

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

18.0 Glossary

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None.

Item 5

Economic Development and Digital Advisory Board

Date:	**26 September 2023**
Subject:	**Inward Investment Update**
Report of:	**Director, Invest North East England**

Executive Summary

The purpose of this item is for the Advisory Board to receive a presentation on current activities and key achievements relating to inward investment. The presentation will cover: overview of Invest North East England service; key sec tor and market focus; summary of successes and key projects; sector-based opportunities and growth; key issues for 23/24 and beyond.

The final presentation will be available on the day of the meeting.

Recommendations

The Advisory Board is recommended to note the contents of the report and presentation and recommended that a further update be provided later in the year.

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1. Background Information

1.1 The report will be provided in PowerPoint form.

2. Proposals

2.1 The report is for information.

3. Reasons for the Proposals

3.1 The report is for information.

4. Alternative Options Available

4.1 Not Applicable.

5. Next Steps and Timetable for Implementation

5.1 The promotion of the North East in key sectors will continue throughout 2023/24 in preparation for the creation of NEMCA.

6. Potential Impact on Objectives.

6.1 Links to the delivery of the North East Strategic Economic Plan.

7. Financial and Other Resources Implications

7.1 Invest North East England's activities will be delivered within its 2023/24 budget.

8. Legal Implications

8.1 There are no legal implications arising from this report.

9. Key Risks

9.1 Any key risks will be set out in the presentation.

10. Equality and Diversity

10.1 There are no implications arising from this report.

11. Crime and Disorder

11.1 There are no implications arising from this report.

12. Consultation/Engagement

Economic Development and Digital Advisory Board

12.1 This is not applicable.

13. Other Impact of the Proposals

13.1 This is not applicable.

14. Appendices

14.1 There are no appendices.

15. Background Papers

15.1 There are no background papers.

16. Contact Officers

16.1 Guy Currey, Director, Invest North East England,
guy.currey@inee.co.uk
07825 430315

17. Sign off

17.1
- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

18. Glossary

18.1 Not applicable.