

Mayoral Combined Authority Board

19 September 2022

Economy and Cost of Living Report

Is the paper exempt from the press and public?	No
Reason why exempt:	Not applicable
Purpose of this report:	Discussion
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

Director Approving Submission of the Report:
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Executive Summary

The cost-of-living crisis is deepening with inflationary pressures worsening and with an expectation that the country may now enter recession.

The report notes that the significance of the crisis now demands a regional response to complement those actions being proposed by national Government. The report proposes several actions the MCA can undertake to complement those of our Local Authorities

The report notes that whilst these immediate interventions can be delivered in the short-term, consideration will need to be given to how MCA resource can be deployed to support the post-recession recovery, ensuring South Yorkshire's businesses and communities are well placed to bounce-back.

What does this mean for businesses, people and places in South Yorkshire?

South Yorkshire is particularly vulnerable entering this crisis with very high rates of fuel poverty, child poverty, higher levels of car dependency, a housing stock that is not energy efficient, a high share of energy intensive businesses, some of the highest rates of food bank usage, and an economy that is not resilient. The potential implications of this economic crisis for people and businesses are striking. The proposals presented within this report would allow the MCA and partners to intervene in a targeted way, complementing Government schemes.

Recommendations:

That the Board:

- Approves the proposal for the early release of Shared Prosperity Fund allocations ahead of formal Government processes.
 - Approves the earmarking of up-to £2m of windfall budget surplus to fund a package of cost-of-living measures.
 - Approves the development of an immediate package of measures as detailed in paragraphs 3.1-3.11.
 - Delegates authority to the MCA Chief Executive in consultation with the Mayor and Leaders to enter into transactions.
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1. Background

- 1.1 As the region enters the autumn concerns around the national and local economy are growing. Rising inflation and interest-rates, the risks to jobs from the potential recession, and the market disruption following the mini-budget event is all coalescing to present a cost-of-living crisis.
- 1.2 Whilst Government has moved to support communities and businesses through energy subsidies the impact on South Yorkshire is still likely to be significant. For many businesses and households, the impact of unavoidable inflation and interest-rates will stress already fragile finances.
- 1.3 This report proposes a number of immediate interventions that could be delivered to support those most in need. Whilst these interventions will not address the whole issue, they will help to complement existing measures.
- 1.4 The proposed interventions can be funded from windfall budget surplus. This surplus arises from treasury management income returns exceeding budget forecasts as higher interest-rates lead to better yields from cash held on deposit.

2. Key Issues

- 2.1 The public sector's response to the Covid-19 crisis highlighted that efficient crisis intervention requires national and local responses. The significant majority of levers for a response to the current crisis lie with national Government. Government has the fiscal and legislative tools to address the situation in a sustainable and meaningful way. However, the MCA and local partners are well placed to understand the impact on the local economy and communities, and identify both gaps in provision and opportunities to target efficient investment.
- 2.2 The opportunities for the MCA reflects its wider role. The MCA can:
 1. Lobby Government to deliver an appropriate support package;
 2. Use its platforms to convene partners, businesses, agencies, and Government to come together to deliver joined-up responses;
 3. Use its data and analytical tools to help partners target effective responses;
 4. Amplify existing activity wherever it may be, using its communications platforms to drive awareness;
 5. Fund activity delivered by partners, the third-sector, or other stakeholders; and,
 6. Directly commission or deliver activity where gaps in provision are identified.

- 2.3 Opportunities to support the response exist in both the near and medium term. In the near term the MCA can help address the symptoms of the crisis, whilst in the medium-term the region can consider how it ensures businesses and communities are best placed to recover from immediate pressures. Some activity will require time and consideration to implement, but other activity can be delivered with urgency.
- 2.4 Though a number of actions are already underway – such as using the MCA’s communications platforms to raise awareness of existing activity and developing data-sets to support interventions – some decisions are now required from the Board.

3. Options Considered and Recommended Proposal

- 3.1 In the immediate term the Board are asked to consider the following decisions:

Decision Required: Earmark Windfall Surplus to Support a Cost-of-Living Response

- 3.2 A consequence of the high inflationary environment has been the decisions of the Bank of England to raise the base-rate four times since the start of the financial year to 2.25%. These rises are significantly in excess of forecast and have the effect of increasing the yields generated on cash held on deposit.
- 3.3 Forecasts are now showing the estimated income generated from treasury management activity as being £4m in excess of budget. Reports presented in this meeting recommend using £2m of this surplus to support at risk bus services. This report recommends the earmarking of a further £2m to a package of cost-of-living responses.

Decisions Required: Shared Prosperity Fund

- 3.4 The MCA has been working with the local authorities to shape and plan how to deliver the Shared Prosperity Fund. The focus of year one activity is on a cost-of-living response. This report proposes that the MCA agrees to commission year one spending ahead of Government’s formal processes. This will enable South Yorkshire to get funding moving now, putting the resource to use when and where it is most needed.
- 3.5 In releasing this money ahead of Government’s processes there is likely some administrative risk, but it is considered manageable given the importance of getting resource to the intended recipients.

Decision Required: Releasing New Funding to Transport Priorities (c.£0.7m)

- 3.6 The Board is asked to approve the release of up-to £2m of MCA funds generated from windfall treasury management surplus to generate an immediate local cost-of-living response.
- 3.7 It is proposed to earmark some of this funding in the immediate-term to complement a price-cap on bus fares at £2 per adult single journey ahead of the implementation of the Government funded scheme that will be live from January.

This intervention will support proposals to protect a number of key services until the summer, enabling our communities to keep moving during the crisis.

- 3.8 It is expected that the cost of this scheme will be c. £0.25m per month and it will run from November to the end of December. After this point the Government scheme will run to the end of March.

Decision Required: Releasing New Funding to Food-Security Schemes (c.£0.7m)

- 3.9 Engagement with local partners has highlighted food-security as a key concern across the region with rising use of foodbanks. Whilst food-security has been an issue for some time, existing pressures are being exacerbated by the rising inflation on foodstuffs generated by supply chain dislocation, the war in Ukraine, and the fall in the value of Sterling.
- 3.10 This report proposes to use part of the windfall budget surplus to support a region-wide food-security package. Engagement with partners has shown that there are different requirements in different parts of the region, whilst in some areas there is existing provision that could be amplified and in some areas gaps that could be filled.
- 3.11 Accordingly, it is proposed that, in collaboration with partners, the MCA commissions a scheme to be delivered by an external provider to which each local authority can opt-in. Where the region scheme does not fit with local circumstance authorities could also choose to opt-out and run a local scheme or support existing provision from this funding.

Further Ongoing Work

- 3.12 Whilst urgent action is sought on the proposals detailed above, further work is underway to consider how best the MCA can support business and communities beyond immediate challenges to ensure they are well placed to bounce-back.
- 3.13 In particular, existing access-to-finance issues are likely to be exacerbated by the withdrawal of credit products whilst it is already becoming apparent that investors will seek to shelter themselves from all but the safest of investments in the near-term. The loss of finance and investment products risks stalling the growth prospects of a generation of businesses within the region.
- 3.14 Proposals are being developed where the MCA can work to stimulate existing investors – from angels, to pension funds, and commercial lenders – to maintain and grow the products available to businesses in the region.
- 3.15 Work is underway to consider how investment could be brought to bear to support longer-term energy resilience, with sustainable energy schemes supporting both business resilience and wider net zero objectives.
- 3.16 Work is being undertaken within the skills and employment areas to consider how some of the MCA's major funding streams, including the Adult Education Budget, could be used to support immediate and future cost-of-living activity. Reorienting

devolved funding for specific local circumstances such as this is an efficient means of addressing problems.

3.17 Proposals in these areas will be brought to future meetings of the MCA.

4. Engagement on Proposal

4.1 Engagement is taking place with Local Authority Officers and other key local stakeholders, such as the South Yorkshire Community Foundation.

5. Timetable and Accountability for Implementing this Decision

5.1 Immediate.

6. Financial and Procurement Implications and Advice

6.1 This report proposes the release of windfall budget surplus. Currently there are no commitments on this funding.

6.2 The report further proposes the early release of Shared Prosperity Funding allocations ahead of the release of Government grant agreements. The report notes that there is some risk around this, as whilst the MCA has been given a funding allocation the details of funding awards are not yet known. Officers believe that this risk can be mitigated by making conservative assumptions on the details of grant determination specifications.

7. Legal Implications and Advice

7.1 N/A at this stage.

8. Human Resources Implications and Advice

8.1 There are no known HR implications as a result of this paper. However, the issues this paper raises about the impact of inflationary pressures on the low paid will be relevant for the MCA as an employer and for some of its contractors. It is recommended that the Head of HR considers this, and any implications are considered by the Statutory Officers and Chief Executive group.

9. Equality and Diversity Implications and Advice

9.1 Many of these impacts will be worse on the most vulnerable groups of society, and any response should be tailored to respond.

10. Climate Change Implications and Advice

10.1 Longer-term, how South Yorkshire deals with energy, including retrofitting, is key to this agenda, but there is limited amount that can be done at a regional level to help with the immediate crisis.

11. Information and Communication Technology Implications and Advice

11.1 There are no known ICT implications as a result of this paper.

12. Communications and Marketing Implications and Advice.

12.1 N/A at this stage.

List of Appendices Included

None

Background Papers:

None