



Economic Development Digital Advisory Board

Tuesday 12 July 2022 at 2.00pm

Meeting to be held at: Mayor's Parlour, Sunderland City Hall, SR1 3DP

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AGENDA

	Page No
1. Apologies for Absence (Members)	
2. Declarations of Interest	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be submitted to the Strategy & Democratic Services Assistant). Please also remember to leave the meeting where any personal interest requires this.	
3. Minutes of the Previous Meeting held on 22 February 2022	1-3
For approval as a correct record	
4. Economic Recovery Update	5-12
5. Inward Investment Update	13-15
6. Date and Time of Next Meeting: 22 November 2022 at 2.00pm	

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Economic Development and Digital Advisory Board

Draft Minutes for Approval

22 February 2022

(2.10pm – 2.40pm)

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

Present:

Councillors T Dixon (in the Chair), G Miller

Co-opted Members

Officers Nicola Robason (Monitoring Officer – NECA), Rory Sherwood-Parkin (Senior Economic Policy Manager – South Tyneside Council), Rachel Burdis (Inward Investment Manager – Invest North East England), Toby Ord (Strategy and Democratic Services Assistant – NECA)

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr M Brain, Cllr A Hopgood, Cllr E Scott, Gavin Armstrong, Paul Darby, Sarah Glendinning

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES OF THE MEETING HELD ON 23 NOVEMBER 2021

The minutes of the previous meeting held on 23 November 2021 were approved as a correct record.

4 REGIONAL ECONOMIC RECOVERY

Submitted: Report and presentation of the Senior Economic Policy Manager, South Tyneside Council (previously circulated and attached to Official Minutes).

The Senior Economic Policy Manager presented the report and delivered a presentation providing an insight into the regions footfall levels, labour market, covid response and business support.

It was noted that the regions economic bounce back has been comparatively quick in historic terms, almost reaching pre-pandemic levels on a national level. Despite levels of inflation rising, business pressures were said to be easing somewhat. Uncertainty created by the Omicron variant was attributed to impact in GDP levels in the final quarter. Pressure remains within the hospitality sector, with manufacturers seeing increased input costs and an ongoing skills shortage.

Unemployment has fallen significantly across the country; however it was stated that this is still a present issue within the NECA region; the North East has overtaken London in terms of unemployment levels, making the region the highest in the country. In light of this, there was said to be a concerning rise in economic inactivity in the region. Members queried this, as claimant levels did not reflect this rise. It was postulated that many may have chosen to retire, enter full time education or possibly suffer from sickness or mental health issues subsequent to the pandemic.

As for footfall, it was noted that levels are largely back to pre-pandemic rates, although levels over the Christmas period did not meet levels of previous years, notably pre-2019, likely due to recent imposed restrictions and a lack of consumer confidence. Footfall was also said to have been higher in smaller towns and lower in bigger cities comparatively, with public transport use being lower.

Businesses are continuing to receive support, with £500mil distributed to LA7 businesses since the start of the pandemic. With reference to the recent publication of the Levelling Up White Paper, it was noted that resources allocated to the to the ambitions laid out within may not be sufficient. Members were also informed that the UK Shared Prosperity Fund's prospectus and allocations are said to be released by late Spring.

RESOLVED – That:

- i. the report and presentation be noted.

5 INVEST NORTH EAST ENGLAND UPDATE

Submitted: A report and presentation of the Director of Invest North East England (previously circulated and attached to Official Minutes).

The Inward Investment Manager for Invest North East England (INEE) delivered the presentation on behalf of the Director, providing an overview of INEE's developments over the last year.

Members were informed of multiple successions in job creation, with INEE contributing to 46 new projects and the sourcing of 18 foreign direct investments (FDI), with 4 digital games firms being acquired by foreign firms. It was stated that efforts to acquire further FDI is ongoing. It was also stated that inquiry levels have seen an increase, and that these are serious considerations for the firms involved. The North East was said to be of genuine significance for developing business.

Members were also informed that the 'Move On Up' campaign is seeing further developments as well, with more events and digital material being produced in an effort to attract the relocation and expansion of workforces in the region.

INEE's focusses on electrification and green energy was said to synergise well with the regions strengths; battery supply chains and storage and offshore wind and renewables. Multiple success in these areas are expected within the coming year.

Members stressed the importance of transport infrastructure in creating business and relocating workforces to the North East, as well as improving accessibility for those in work.

RESOLVED – That:

- i. the report be noted.

6 DATE AND TIME OF NEXT MEETING

Tuesday 12 July 2022 at 2.00pm

Economic Development and Digital Advisory Board

Date: 12 July 2022

Subject: Economic Recovery Update

Report of: Corporate Lead for Policy and Insight

Executive Summary

The purpose of this report is to provide an update on the current position in terms of economic recovery from the pandemic across the NECA area. It examines the latest situation and data on the economy as a whole, the labour market (including employment and unemployment indicators) and footfall

The report also warns of the ongoing impact of inflation, skills shortages, and the consequences of the conflict in Ukraine upon our businesses, people, labour market and wider economy.

Recommendations

The Advisory Board is recommended to note the contents of this report.

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1.0 Background Information

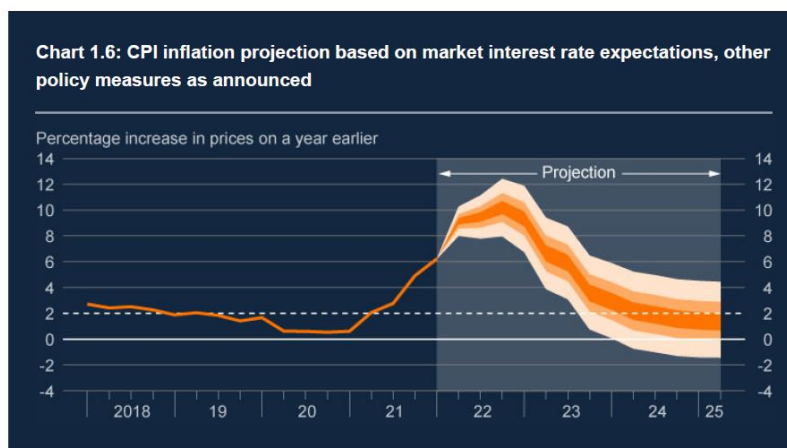
1.1 This report provides an update on activity and progress under the Economic Development and Digital theme of the Combined Authority, focussing primarily on Economy.

2.0 Economy

2.1 **The economic picture from the first half of the year across the NECA area is one of challenges as businesses continue to recover from the impact of the pandemic and are now being buffeted by both skills shortages and, most pointedly, the surge in inflation.**

2.2 There are real concerns about the significant rise in prices, including transport, energy, water, fuel, materials, services, rent and wages, and this appears to be a common issue being expressed by businesses across all sectors.

2.3 Inflation (as measured by the Consumer Prices Index) was at 7% in March 2022, a thirty year high, with predictions this could reach as high as 10% this year (see Bank of England graph below):



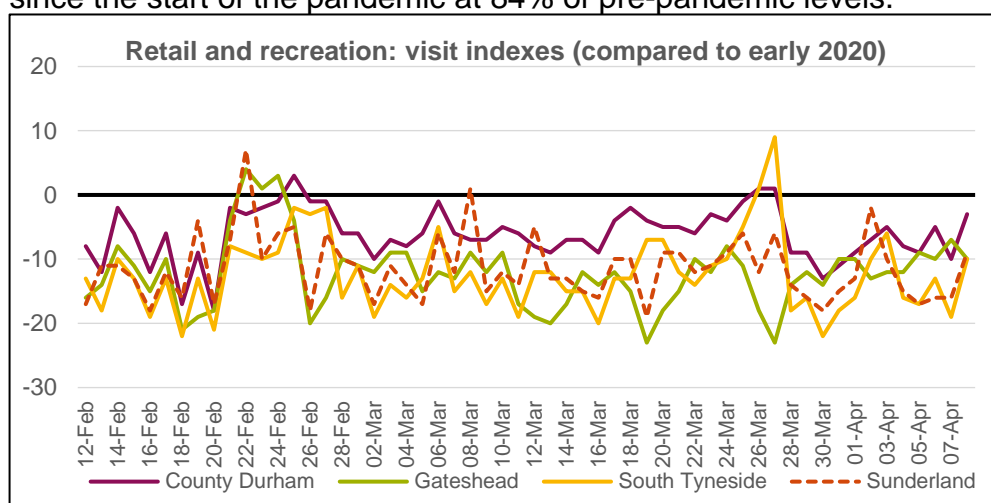
2.4 This quarter's Economic Survey from the North East Chamber of Commerce showed that 90% of businesses were worried about both inflation and energy costs (with other concerns focused on staff costs and the prospect of rising interest rates and the impact this will have).

2.5 This is reinforced by the NatWest North East Business Activity Index for March which showed that the region continued to be the weakest performing in the country for the eighth consecutive month. The Index

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dropped by 51.9 to 50.0 over a month, suggesting that the economy is failing to grow (due to the issues outlined above).

- 2.6 Consumer confidence appears to be low and falling nationally, with consumers cutting back on eating out and buying clothes, with major implications for the retail and hospitality sectors. This is being driven by inflationary pressures and the crisis in Ukraine. Retailers in particular are concerned about the huge increases in costs, with warnings about further store closures.
- 2.7 However, there were positive reports in terms of businesses willingness to take on more staff, visitor attractions reporting good levels of revenue generation from the Easter half term and footfall data showing that retail and recreation footfall in early April was the third highest this year (although it does remain around 9% below immediate pre-pandemic levels – see Google Data below).
- 2.8 Visits to North East workplaces were at their third highest weekly level since the start of the pandemic at 84% of pre-pandemic levels.



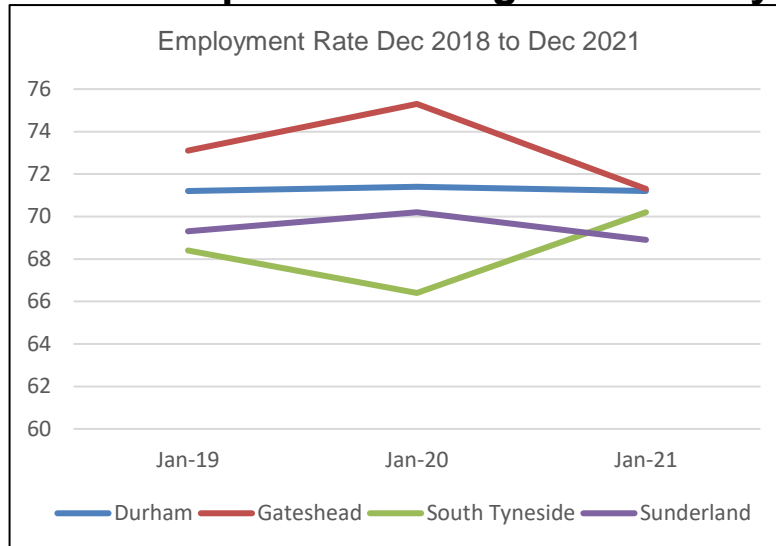
- 2.9 **The rise in costs being experienced by businesses is clearly impacting residents and consumer confidence too.**
- 2.10 The ONS found that 83% of households reported an increase in their cost of living in March 2022 and the Consumer Confidence Overall Index Score decreased seven points to -38 in April 22.
- 2.11 There are also reports from food banks and debt advice organisations in the region about expectations of further demand for support as energy prices and inflation rises kick in and intensify.

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- 2.12 There are major concerns about the cost of living and rising inflation upon the most vulnerable across the region, particularly with the prospect of interest rates continuing to rise and the expected jump in energy costs again in October.
- 2.13 According to the Resolution Foundation, one third of households (7.4million families) will be in fuel stress if the fuel cap hits £2500 by October. The North East has the highest percentage of households at risk.
- 2.14 Both of these factors are leading to expectations that growth may decline over the next quarter with the potential for a hot UK economy to fall into recession. GDP growth was 0.8% in the first three months of this year, but this hid the fact that growth was flat in February and fell by 0.1% in March. This was driven by falling retail (in particular automotive) sales and manufacturing activity.
- 2.15 **It is likely that the impact may also soon feed through into the labour market.**
- 2.16 Labour market data for the quarter to February 2022 showed that the jobs market across the LA7 was largely unchanged from the previous quarter with a small increase in the number of workers, but overall employment down (the lowest rate in England).
- 2.17 In the NECA area, employment levels are beneath pre-pandemic rates, potentially explained by the rise in economic inactivity as people leave the labour market:

Employment (wider measure)	NECA %	UK%
End of Dec 2019	70.7	75.6
End of Dec 2020	71.2	75.1
End of Dec 2021	70.6	74.7

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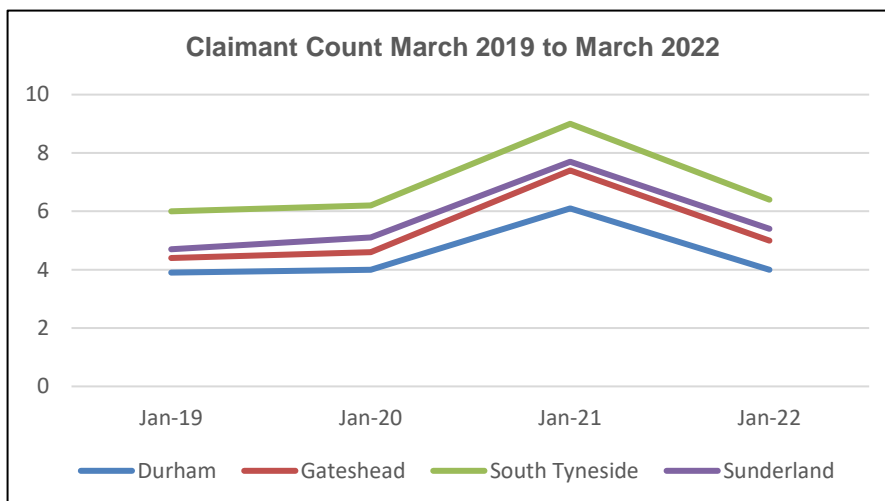
- 2.18 This concerning rise in economic inactivity continues (across all age ranges), particularly those away from the labour market with long-term illness or looking after family or home:

Economic Inactivity (% of working age population)	NECA %	UK%
End of Dec 2019	24.6	21.2
End of Dec 2020	23.5	21.2
End of Dec 2021	25.6	21.8

- 2.19 Employers continue to cite wage inflation, along with recruitment difficulties across all sectors. In manufacturing, there are reports that some manufacturing companies are being effected directly by the Russian/Ukraine war as exports to Russia/Belorussia and Ukraine are significantly down and companies with European and US parents are impacted more heavily in Europe which has led to job losses overseas.
- 2.20 In addition, the shortage of semiconductors continues to be reported by a number of supply chains firms, particularly in automotive (and this is combined with CV19 outbreaks in China delaying vital components from arriving in the UK).
- 2.21 The claimant counts across the NECA area are as follows and have nearly returned to pre-pandemic levels:

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Claimant Count	NECA %	NECA number	UK%
March 2019	4.5	32,165	2.6
March 2020	4.6	33,640	3.0
March 2021	7.1	51,355	6.4
March 2022	4.8	35,110	4.2



2.22 In terms of next steps, the Local Authorities will continue to monitor the current economic picture and support businesses and residents as much as possible, particularly given the rising costs of living and doing business, and to make the case to Government for further support.

3.0 Reasons for the Proposals

This report provides an update on Economic Development theme.

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.

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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.

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.

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16.0 Contact Officers

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

Rory Sherwood-Parkin, Corporate Lead – Policy & Insight, South Tyneside Council

17.0 Sign off

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

18.0 Glossary

None.

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Date: 12 July 2022

Subject: Inward Investment Update

Report of: Inward Investment Manager, 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: Summary of key activities of Invest North East England since February 2022, national performance tables and an overview of a programme of activity to promote the investment opportunity in electrification in the North East.

The presentation will 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 electrification will continue throughout 2022/23 and an update report will be provided later in the year.

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 has identified budget within its 2021/22 budget to undertake a northshoring campaign.

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.

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11. Crime and Disorder

11.1 There are no implications arising from this report.

12. Consultation/Engagement

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 Michelle Duggan, inward Investment Manager, Invest North East England, michelle.duggan@inee.co.uk, 07464 649579.

17. Sign off

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

18. Glossary

18.1 Not applicable.