

Report to:	Cabinet	Date of Meeting:	Thursday 6 th October 2022
Subject:	Cost of Living Crisis		
Report of:	Chief Executive	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regeneration and Skills		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

This report summarises the impact of the escalating Cost of Living Crisis on local businesses and outlines the support available and proposed in Sefton.

Recommendation(s):

Cabinet is asked to

1. Note the support currently provided as set out in paragraph 2.4 of the report; and
- 2 Consider the Equalities Assessment Report at Appendix A.

Reasons for the Recommendation(s):

For Cabinet to consider the impact of the escalating Cost of Living Crisis on local businesses and note the support available and approve plans proposed in Sefton.

Alternative Options Considered and Rejected: (including any Risk Implications)

NA

What will it cost and how will it be financed?

(A) Revenue Costs

There are no direct financial implications as a result of this report.

(B) Capital Costs

There are no direct financial implications as a result of this report.

Implications of the Proposals:

<p>Resource Implications (Financial, IT, Staffing and Assets): Support referenced within this report is delivered via existing resources.</p>									
<p>Legal Implications: None</p>									
<p>Equality Implications: Equalities Assessment Report at Appendix A, recognising that risk remains from an equalities perspective.</p>									
<p>Climate Emergency Implications:</p> <p>The recommendations within this report will</p> <table border="1"> <tr> <td>Have a positive impact</td> <td>N</td> </tr> <tr> <td>Have a neutral impact</td> <td>Y</td> </tr> <tr> <td>Have a negative impact</td> <td>N</td> </tr> <tr> <td>The Author has undertaken the Climate Emergency training for report authors</td> <td>Y</td> </tr> </table>		Have a positive impact	N	Have a neutral impact	Y	Have a negative impact	N	The Author has undertaken the Climate Emergency training for report authors	Y
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Contribution to the Council's Core Purpose:

<p>Protect the most vulnerable: Care Provider sustainability and the ongoing provision of services to critical in supporting and caring for vulnerable people in Sefton.</p>
<p>Facilitate confident and resilient communities: The Council will actively sign post businesses to where they can access support.</p>
<p>Commission, broker and provide core services: The Cost of Care exercises are a further opportunity for Sefton and local care Providers to work together to arrive at a shared understanding of what it costs to run quality and sustainable care provision in the local area and that is reflective of local circumstances.</p>
<p>Place – leadership and influencer: The Council has submitted a number of Levelling Up funding bids.</p>
<p>Drivers of change and reform: the Council will play a key role in advocating change and reform to improve the position for Sefton businesses.</p>
<p>Facilitate sustainable economic prosperity: The Cost of Living Crisis could lead to a reduction in the opportunity to create the conditions where relatively low unemployment and high income prevail.</p>
<p>Greater income for social investment: NA</p>
<p>Cleaner Greener NA</p>

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD692) and the Chief Legal and Democratic Officer (LD5162) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Immediately following the Committee meeting.

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Appendices:

The following appendices are attached to this report:

Equalities Assessment Report at Appendix A

Background Papers:

<https://www.fsb.org.uk/resource-report/sbi-q2-2022.html>

[Government outlines plans to help cut energy bills for businesses - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/government-outlines-plans-to-help-cut-energy-bills-for-businesses)

[Cost of Living Crisis on local people: \(sefton.gov.uk\)](https://www.sefton.gov.uk/cost-of-living-crisis-on-local-people)

1. Background

- 1.1 Sefton Council is committed to supporting the development of an economy that connects Sefton to the City Region and beyond, in which businesses, employees, jobseekers and working age adults receive the help they need, and the benefits of growth are maximised for the people and places of the Borough.
- 1.2 Sefton is an attractive borough in which to live, work and visit. Partly because of this there is a significant focus on sectors involved in hospitality, culture, leisure, lifestyle and meeting the needs of residents, and visitors which has left it particularly exposed to the cumulative effects of Brexit, the COVID 19 pandemic, the Cost of Living Crisis and the war in Ukraine.
- 1.3 Compared with other Liverpool City Region Authorities the risks to employment are higher, spatially focussed and immediate. This means that the impacts are felt most profoundly by
- Town centres and other key leisure/retail areas
 - Younger people (as a higher proportion are employed in hospitality & leisure)
 - Lower skilled and lower paid (because of the employment opportunities in the industries affected)
 - Female members of the workforce
- 1.4 Sefton is not unusual in recording the highest levels of employment in retail, health, education and food & beverage service. This is common with most Local Authority areas –but the scale of the employment that these sectors employ is relevant and overlooked in most economic analysis.

Sefton’s labour market is also characterised by unemployment, which in common with other LAs, is distributed unevenly in terms of age and location, as the following table illustrates (Nomis – Claimant Count July 2022)

Parliamentary Constituency	No. aged 16-24 years	No. aged 25-49 years	No. aged 50+ years	Total Area Claimant Count	Area Claimant Rate
Bootle	650	2,265	785	3,700	5.9
Sefton Central	165	560	285	1,005	2.2
Southport	280	1,115	450	1,845	3.5
SEFTON	1,095	3,940	1,520	6,550	4.0*

* Sefton Borough Median value

- 1.5 In addition to the differences in unemployment experienced by different areas and age groups, Sefton@Work data has shown further disparity between women versus men seeking help to enter the labour market. Since 2020, the trend for fewer women of all ages coming forward for help into jobs has been persistent and growing. The rates of unemployment, however, have remained largely unchanged between men and women. It would be possible to conclude then that the impact of cost of living rises is being felt more acutely by women than men if there are factors in place which are creating barriers for them to enter well paid work. It is unclear what precise factors have led to this trend but contractions in sectors with typically higher rates of female employment (such as retail, catering etc) continue, and it is possible that older women are providing more unpaid childcare or elder care services for relatives. Sefton@Work, along with many other similar services, are undertaking specific actions to promote employability among women of all ages.
- 1.6 Likewise, businesses across Sefton, like many across the country, are facing further challenges in light of the mounting national Cost of Living Crisis. The combination of soaring energy and fuel prices, rising costs, changes in household spending patterns, supply chain challenges and for some recruitment challenges means that many are struggling. This in turn will affect all people who live, work, visit and study in the borough.
- 1.7 The Federation of Small Businesses (FSB) full Small Business Index report for Q2 2022 finds growth expectations are down, and cost pressures are weighing heavily on small firms. In the report they identify that
- “The combined proportion of small firms who predict that they will stay the same size (38.7%) or downsize or even close their business (14.7%), at 53.4%, outweighs the 46.6% who predict they will grow in the coming 12 months.*
- The results differed by sector, with a better outlook for businesses in the information and communication sector, where 62.9% of businesses expected to grow in the next year, compared with only 33.9% of wholesale and retail firms, and 34.9% of hospitality sector businesses.*
- Small firms’ anaemic growth predictions coincided with the highest-recorded proportion of firms saying their costs are higher than a year ago, at 89.0%, and with the highest level of producer price inflation for four decades in June.”*
- 1.8 If these predictions are true, then this will have a profound effect on the businesses of Sefton. Sefton is a borough of small businesses. It has approximately 8,000 businesses of which over 96% are either small (less than 50 employees) or micro (less than 10). Since the outbreak of the pandemic, up until 26 August 2022, InvestSefton has handled 5,581 enquiries. Since April 2021, the team has dealt with over 550 enquiries including businesses expressing concern with rising energy costs. Levels of concern and numbers of enquiries are

expected to rise in October when energy costs are increased. There have been specific enquiries from some large energy users including a local manufacturing facility operating on four sites in Bootle. The team is supporting them with the Eco Innovatory Centre in Liverpool John Moore's University who are undertaking an energy audit to help identify potential savings on energy use.

1.9 The impact of soaring energy prices will impact across the business sector, with analysis from the Office of National Statistics (ONS) stating

“Businesses in the food and beverage sector have been affected by the recent rise in energy prices. In March 2022, 60% reported being affected by the rise in energy prices, compared with 38% across all sectors. “

1.10 The food and beverage sector forms part of the wider Sefton Visitor Economy, a crucial sector employing over 4,700 people in Sefton. The sector was hit hard during Covid-19 and has yet to fully recover, now coupled with increased energy costs and a reduction in customers disposable income the next couple of months and beyond will be extremely challenging. Recent surveys show that between 40-50% people plan to cut their spending on eating out. This will have a major impact on an already fragile sector, especially leading into the peak Christmas trading period.

1.11 Sefton Council has looked at what businesses can do in response to customers cutting back on their spending patterns. The Cut Back Economy Report by Grant Thornton assesses the impact of the Cost of Living Crisis on the retail and consumer industries and finds that ‘the average household is expected to cut back 9.3% of their spending on restaurants, bars and cinemas, wiping out a potential £8.3 billion of business across the UK hospitality and leisure sector this financial year (FY22/23).’ The report recommends that retail and consumer-facing businesses focus upon and invest in 5 key areas to help mitigate the impact of the cut back economy (households reducing their spending). This includes:

- ‘customer-centricity to secure lifetime values (for example loyalty schemes, selling products and services that are both value for money and desirable),
- data-driven decision making (for example advanced data analytics can help retailers gain a competitive advantage by providing actionable and near real-time insights into how customers are responding to cost of living pressures),
- competitive-price positioning (for example for shoppers under intense financial pressure, offering compelling entry level price points across relevant ranges with price matching is likely to be the most effective approach.
- rethinking supply chains (for example regaining control and visibility over supply chains, including diversifying suppliers, implementing

cutting-edge inventory management, and collaborating with logistics providers to build greater flexibility to secure supply.

- implementing the ESG (Environmental, Social and Governance) agenda (for example near-shoring supply chains and sourcing goods locally can help create operations that are more resilient to external factors such as inflation or fluctuating shipping costs, as well as reducing the environmental impact of international logistics).’

Whilst this offers sound advice to businesses it is against a backdrop of businesses who have already been squeezed by the impact of Brexit, the pandemic and now the cost of living crisis as well as the war in Ukraine. Qualitative evidence indicates that a number of small and medium sized businesses have used up any reserves they have had to deal with a succession of crises. In terms of the support that local authorities can offer businesses, this is again limited by the impact of government funding cuts to the public sector over the last 10 years, and the financial difficulties and strains placed upon them.

- 1.12 Across Sefton around 4,000 people are employed in residential care facilities – twice the national average for comparably sized areas. This sector is critical and performs a vital role in providing care for some of Sefton’s most vulnerable adults and children.
- 1.13 The Cost of Living Crisis is impacting on Adult Social Care commissioned Care Providers and their workforce. Engagement with Care Providers has highlighted concerns relating to factors such as current and impending increases to utilities costs (for example heating care homes, which are often older buildings which are less energy efficient) and also associated impacts on the Care workforce, such as increased costs associated with travel and fuel costs when they are delivering care calls to people in their own homes and conduct numerous visits during their work shifts. There is then the wider issue of recruitment and retention.
- 1.14 On 8th September, the Government announced an Energy Price Guarantee for families and businesses, this included

“As businesses have not benefited from an energy price cap and are not always able to fix their energy price through fixed deals, many are reporting projected increases in energy costs of more than 500%.

A new six-month scheme for businesses and other non-domestic energy users (including charities and public sector organisations like schools) will offer equivalent support as is being provided for consumers. This will protect them from soaring energy costs and provide them with the certainty they need to plan their business.

After this initial six-month scheme, the Government will provide ongoing, focused support for vulnerable industries.

There will be a review in 3 months' time to consider where this should be targeted to make sure those most in need get support."

1.15 On 21st September the government announced

"Through a new government [Energy Bill Relief Scheme](#), the government will provide a discount on wholesale gas and electricity prices for all non-domestic customers (including all UK businesses, the voluntary sector like charities and the public sector such as schools and hospitals) whose current gas and electricity prices have been significantly inflated in light of global energy prices. This support will be equivalent to the [Energy Price Guarantee](#) put in place for households.

It will apply to fixed contracts agreed on or after 1 April 2022, as well as to deemed, variable and flexible tariffs and contracts. It will apply to energy usage from 1 October 2022 to 31 March 2023, running for an initial 6 month period for all non-domestic energy users. The savings will be first seen in October bills, which are typically received in November.

As with the Energy Price Guarantee for households, customers do not need to take action or apply to the scheme to access the support. Support (in the form of a p/kWh discount) will automatically be applied to bills."

The announcement also stated

"We will publish a review into the operation of the scheme in three months to inform decisions on future support after March 2023. The review will focus in particular on identifying the most vulnerable non-domestic customers and how the government will continue assisting them with energy costs."

2 **Currently in Sefton**

2.1 Southport secured £37.5m capital funding in 2020 and includes a number of key capital projects aimed at assisting economic recovery and resilience through development of the local visitor economy from a seasonal offer to an all year round offer. In addition the Town Deal seeks to diversify the town centre encouraging business growth, generating employment and developing skills in the hospitality sector. The Town Deal is already having an impact generating footfall, extending dwell times and acting as a catalyst for a further significant investment at scale across the town centre. The Town Deal projects will help offset some of the negative impacts of the Cost of Living Crisis and help build greater resilience and support into the local economy to aid recovery. This has been exemplified at Southport Market, where the venue has enhanced the town's food and drink offer but also delivered regenerative benefits in the adjacent areas of the town centre.

2.2 The Council has submitted new bids to the Government's Levelling Up Fund (LUF) (Round 2) for Bootle and Crosby town centres. These aim to help diversify and strengthen the local town centre economy, aiding their recovery from the Covid pandemic and supporting new uses and functions that will support local business, help generate employment, build confidence and greater economic resilience as well as supporting the communities around them. Bootle Strand is a key priority for Sefton Council and its repurposing of which the LUF bid submission aims to support and assist accelerated delivery, will provide the much needed injection of support for this key centre which plays a critical part supporting the community around it with much needed retail and community services. The ongoing development and support of Bootle town centre will become even more critical given the emerging issues those in the communities around it will face in the coming months. It should be noted that Sefton was placed in Category 3 for Levelling Up funding, the lowest level of priority. Nevertheless, the Council submitted high quality bids in pursuit of this funding regardless of this categorisation. Sefton's economy remains dependent on thriving town centres across all of Sefton.

2.3 Sefton's Economic Strategy 2022 concluded its consultation on 17th August and the final version will be reported to Cabinet later in 2022. Some 189 detailed responses were received and an overwhelming majority agreed to four overarching objectives:

- Employment & Opportunities for work
- Business growth & investment
- Social Inclusion and Access to all
- Regenerated Places

The strategy will include an action plan under each of these objectives and working closely with the LCR Combined Authority, focus will be given to providing support to businesses affected by the crisis for example access to government support, financial advice and support,

2.4 The Council, along with its partners, continue to put communities, local people and businesses at the heart of what it does. The Council provides support to businesses through: –

Invest Sefton – The Council's first point of contact for businesses seeking to start, grow or locate in the borough. Working closely with local, city-region and national support providers, the team provides practical support to Sefton businesses including 1:1 advice and guidance, focussed workshops and events plus signposting to any specific government interventions which are introduced.

Tourism – The Tourism service offers support to many businesses within the visitor economy sector including sign posting to the correct support channels (Invest Sefton) and undertaking business assessments. Also, through a range of activities

such as destination marketing and major events the team provides opportunities for businesses to increase their exposure to larger markets.

Sefton@Work – provides a range of services to business and communities to promote an effective labour market which places inclusive growth at its heart. The primary programmes being delivered at present are

- the Ways to Work project - (funded by European Social Fund or ESF) and
- the Restart programme funded via Department for Work and Pensions (DWP).

These projects offer intensive support to a wide range of residents who are seeking to move from benefit dependency into work and target those with ill health, few or no qualifications (in partnership with Sefton Adult Learning Service), the long term unemployed, those with an offending background, and a range of vulnerable younger people between the ages of 16 and 29.

A large focus for Sefton@Work is the engagement with employers to ensure that the recruitment and retention of local workers is paramount. Assistance is given to smaller and micro employers without inhouse Human Resource support to enable them to undertake more frictionless recruitment. In addition, in order to mitigate barriers to learners gaining access to learning and meaningful employment, support services and signposting to partner services is provided (welfare rights advice, foodbank vouchers, subsidised travel etc).

Active Sefton – The Council operates six modern Leisure Centres under the banner of Active Sefton. These facilities provide residents and visitors with the opportunity to partake in a wide range of sport and physical activities and programmes, which are highly beneficent to individual physical and mental health. To support local businesses the Council also operates an Active Workforce programme, which, if subscribed to by organisations, not only entitles individuals to access the facilities at significantly reduced cost, but also gives to a wide range of additional support services that improve health and wellbeing including:

- Exercise classes, including virtual access,
- Health checks,
- Monthly challenges and tournaments,
- Weight Management courses,
- Delivery of a wide range of staff health seminars, for example, stress, back care, menopause, mindfulness, sleep, health eating, physical activity, low mood.
- Tailored support for staff with health conditions.
- Team building and an annual events programme.
- Virtual walks

Business Rates - The Council continues to provide support and advice to business owners having problems paying Business Rates to contact the Business Rates team, and actively encourages them to do so. The team will check whether the business may be entitled to any of the business rates reliefs or exemptions that exist. Any entitlement could reduce bills to help make it easier for businesses to meet payments. The team will also discuss payment options and consider if alternate payment arrangements may be appropriate.

The Council also implements any additional reliefs announced by the Government to reduce Business Rates liability. No announcements have currently been made about additional reliefs that may apply from April 2023.

Social Care Providers - As part of national reform of Adult Social Care, a Market Sustainability and Fair Cost of Care exercise is being conducted across all Councils. This relates to the Government needing to understand the cost to Councils of providing care home and domiciliary care (aged 18+) to its older populations.

Last month Cabinet considered the Market Sustainability and Fair Cost of Care exercises for Adult Social Care in Sefton. Councils are required to submit to the Department of Health and Social Care (DHSC) by 14th October 2022 the outcomes of these exercises together with a provisional market sustainability plan. The future funding related to this work will be contingent on increase to Council budgets.

Sefton has received non- recurrent additional funding from DHSC which can be used to increase fee rates for Providers in scope and work is currently taking place on implementing proposals to increase such rates.

Once finalised, these proposals will be communicated to Care Providers and ongoing engagement with them as well as other Care Providers currently not in scope for the cost of care exercises will take place.

The Council continues to work with Care Providers on initiatives including.

- Further capital funding to make improvements to Care Homes
- Pilot programmes for use of Technology to improve service delivery and realise efficiencies in their services
- Supporting Care Providers with their recruitment and retention issues
- New commissioning arrangements which give Providers more flexibility to deliver services, deal with changes in demand and new contracting models which seek to guarantee income/business for them based on anticipated levels of demand for their services.

2.5 Housing remains a key sector and is linked with both the growth of the economy and providing a choice of housing type, tenure and location across the Borough to meet residents' needs. The Council owned Sandway Homes has developed two sites in Ainsdale and Crossens, both of which are progressing well in terms of delivery and a number of properties on both sites are occupied, sold, and even sold in advance off plan such is the strength of the brand and quality of the product. This in turn has had a positive impact on suppliers, the labour market and apprenticeships.

2.6 Multiple sites up and down the Borough which were allocated within the Local Plan adopted in 2017, have been brought forward by the private sector and Housing Associations, and Sefton's housing market has been described by housebuilders and agents alike as extremely buoyant. Strong adherence to planning policies relating to the provision of affordable housing in particular, have been a feature of many of these developments. This delivery is, of course, facilitated by a range of council services, and partnership working with the Combined Authority and Homes England to elicit funding opportunities to accelerate delivery and to address key areas of viability on specific sites and market failure.

3 Equalities

3.1 Members are to consider the Equalities Analysis Report at Appendix A.

4 Next Steps

4.1 The Council will continue to proactively engage with local businesses. This was identified as an area of good practice in the recent LGA Peer Challenge, as reported to Cabinet earlier in 2022, but will remain a focus area for the Council to ensure feedback is consistently captured on the challenges and opportunities that Sefton businesses face, and that there visibility of and access to any and all support available to businesses across the borough.

4.2 The Council will work hard to maximise Levelling Up opportunities across the borough and proactively pursue all funding opportunities to support regeneration and growth across the borough. This includes continued progression of such projects and programmes as the Southport Town Deal and the repurposing of Bootle's Strand Shopping Centre, both of which are intended to be catalytic in their impacts on town centres and their economies.

4.3 The Council will continue to engage proactively with Government at both regional and national level, aiming to influence policies towards supporting businesses at this time of crisis and maximising the availability of funding and other support for Sefton and its economy.