

Greater Manchester Combined Authority

Date: 22nd March 2024

Subject: Cost of Living and Economic Resilience

Report of: Councillor Bev Craig, Portfolio Lead for Economy, Business & Inclusive Growth and Councillor Arooj Shah, Portfolio Lead for Equalities and Communities.

Purpose of Report

To provide GMCA with an update on the cost of living pressures on residents and businesses in Greater Manchester, and some of the measures being put in place by the GMCA and partners to respond.

Recommendations:

The GMCA is requested to:

Note the latest assessment and emerging response and give views on the next steps in that response.

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Equalities Impact, Carbon and Sustainability Assessment:

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health	N/A	
Resilience and Adaptation	N/A	
Housing		
Economy		
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the Greater Manchester Carbon Neutral 2038 target.		

No direct impacts arising from this report

Risk Management

None

Legal Considerations

None

Financial Consequences – Revenue

None

Financial Consequences – Capital

None

Number of attachments to the report: 1

Comments/recommendations from Overview & Scrutiny Committee

None

Background Papers

None

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

No

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

N/A

GM Transport Committee

N/A

Overview and Scrutiny Committee

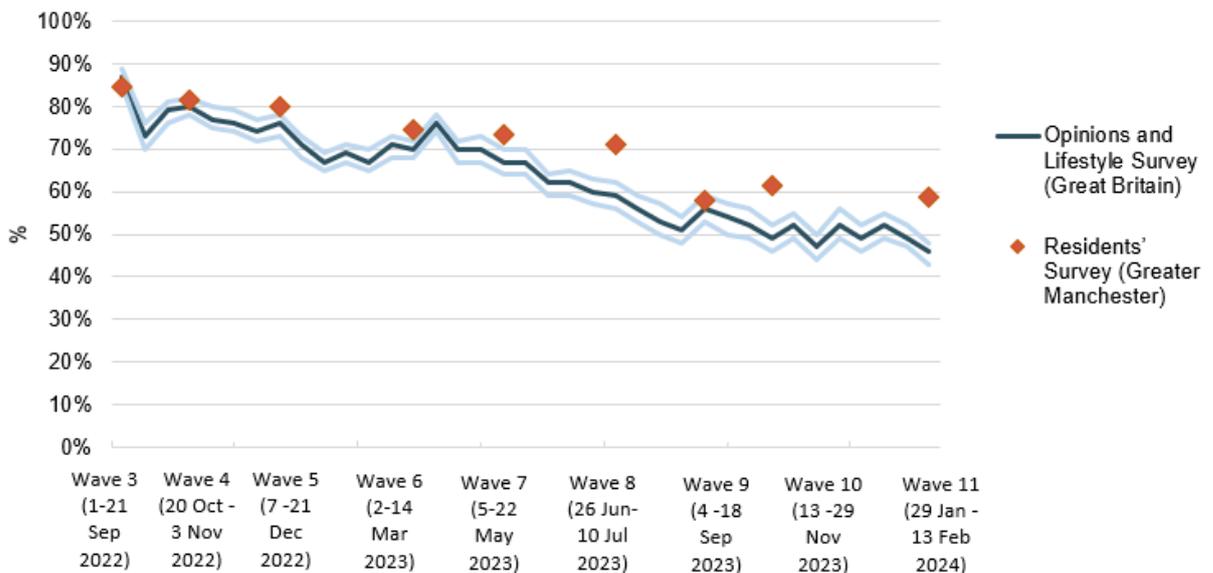
N/A

1. HEADLINES FROM THE RESIDENTS' SURVEY AND COST OF LIVING DASHBOARD

GM Residents' Survey Headlines

- 1.1 The latest Greater Manchester (GM) Residents' Survey was undertaken between 29 January and 13 February 2024. Detailed cost of living themed questions have been included in the surveys since September 2022, meaning that we can reflect on both changes and continuities over an 18-month period.
- 1.2 **Around 3 in 5 (59%) respondents to the most recent GM survey said that they felt their cost of living had increased again over the past month.** This is 3 percentage points (pp) lower than in November 2023, 13pp lower than equivalent GM results in July 2023, and more than 20pp lower than GM figures from December 2022. Whilst this decrease is obviously a major positive, comparison with equivalent data for Great Britain suggests that GM residents' sense of easing pressures may be lagging up to six months behind. 46% of residents nationally felt a cost of living increase over the past month; the national figure was most recently at 59% or above in July 2023 (see Figure 1).

Figure 1: Proportion of GM Residents who felt their cost of living had increased in the past month



1.3 GM residents are continuing to take wide-ranging actions to counter cost of living pressures, for example:

- Cutting back on non-essential journeys in personal vehicles (36%); on public transport (22%); and walking more to save money (30%)
- Spending less on non-essentials (60%) and on food shopping / essentials (27%)
- Using less fuel such as gas or electricity in the home (45%)
- Cutting back on broadband or mobile data plans (17%) (aligning with a significant rise since November in respondents experiencing broadband or data cost increases)
- A minority of residents are looking for 'warm spaces' (7%) or using support from charities including food banks (5%)

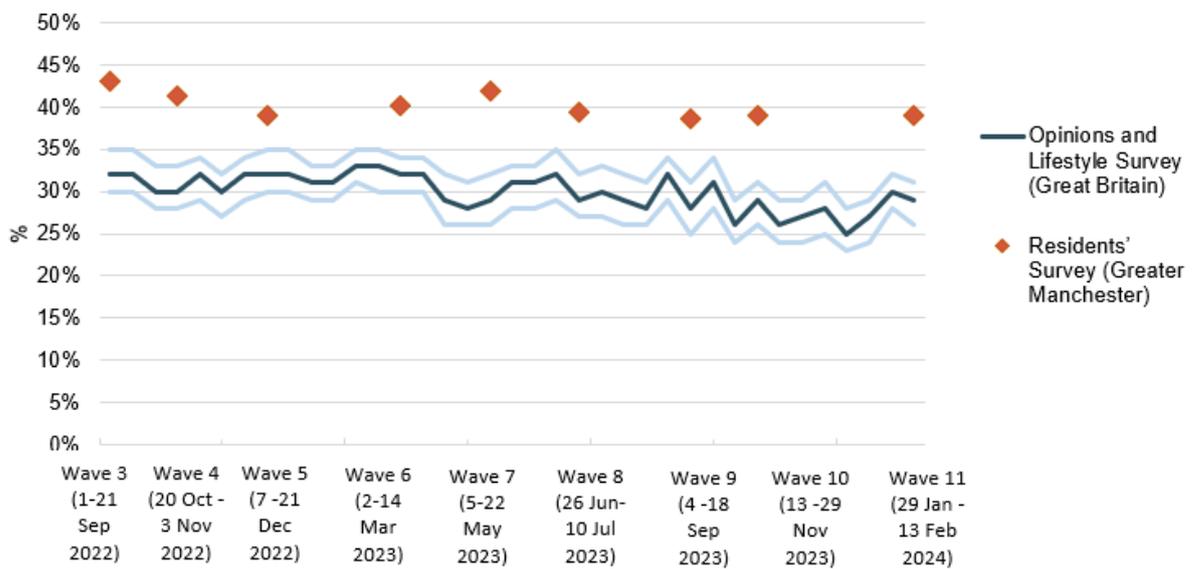
1.4 **Around half of GM renters (47%) and a third of mortgage holders (35%) say it is difficult to afford these costs.** There has been an increase since November in respondents saying they have fallen behind on their rent (13%, was 10%), but the proportion of mortgage holders behind on their payments remains unchanged, and is now less than half that of those who rent (6%).

1.5 **Almost half (47%) of respondents find it difficult to afford their energy costs, with 1 in 8 (12%) finding it very difficult.** This metric is persistently higher than the GB average. It continues to be higher still among those with a disability (61%) - including those with mental ill health (71%), those with a mobility disability (63%) and those with another disability (65%). Energy (at 77%) is second only to food (84%) as a driver for cost of living increases – with a significant increase in those saying this since November (was 70%).

1.6 Taking the intelligence from the GM Residents' Survey in the round, this suggests quite a mixed picture in terms of financial resilience and future outlook, with some moderately positive messages but also some stubborn challenges. On the positive side, **it is encouraging that a smaller proportion of respondents overall have reported mounting challenges with debt** (29% borrowing more than last year, was 33%); and a positive sign that **approaching half of respondents feel they may now be able to save money over the coming 12 months.**

1.7 However, it is equally the case **2 in 5 (39%) GM respondents continue to state that their households could not afford to pay an unexpected, but necessary, expense of £850**. This measure consistently tracks around 10pp higher than the ONS' GB figure – making it one of the most marked areas of difference between GM and elsewhere (see Figure 2). Along with other insights around debt and awareness of / access to support options, this points towards a vital 'financial inclusion' agenda over the coming months to continue supporting the 1 in 5 (18%) respondents who say that they are "benefiting from all the financial support available", plus those who may not yet be doing so.

Figure 2: Proportion of GM Residents unable to afford an unexpected cost of £850



Cost of Living Dashboard Headlines

- 1.8 A recent research briefing published in the House of Commons Library investigates the key components of the rising cost of living in the UK over the past three years. The report finds that rising food prices, increased housing costs and high energy and fuel costs are the main factors of increased cost of living nationally.
- 1.9 **The national report finds that between December 2021 and December 2023, food prices in the UK rose by 26.2%.** It previously took 13 years between July 2008 and December 2021 for average food prices to increase by the same proportion. **Data released by Trussell Trust shows that in the period October 2022 to March 2023, more food parcels were distributed than ever before in Greater Manchester.**

80,000 parcels were distributed in this period, six times the number distributed between October 2019 and March 2020. This reflects the pressure households in Greater Manchester face in relation to increased food prices and the subsequent demand for support from organisations such as Trussell Trust.

- 1.10 **More recent data shows an increase in the uptake of statutory support in the form of Healthy Start vouchers.** Uptake of these vouchers by those eligible in Greater Manchester rose by 10% between January 2023 and January 2024. This increase shows the value of local authorities and other partners promoting the available support, particularly for households that will be disproportionately affected by increased food prices, such as those eligible for Healthy Start vouchers.
- 1.11 As shown in the Residents' Survey above, the House of Commons briefing also identifies housing costs to be an integral part of rising cost of living in the UK, relating to higher borrowing costs for households, as well as recent rental price growth. The most recent data relating to homelessness in Greater Manchester shows a fall of between 12%-14% in the number of households presenting at their local Housing Options team, the number of households found to be at risk of homelessness, and the number of households found to be homeless when compared to the previous quarter. **Whilst this suggests a decrease in the support required in the short term, the level of demand on Housing Options teams for each of these elements of their service has increased by between 25-40% during the cost of living crisis.**
- 1.12 Pressure on homelessness services has been compounded by significant and sudden additional rough sleeping demand, created as a result of accelerated decision-making in the asylum system. Over the course of 2023, the number of non-UK nationals in the rough sleeping cohort has been steadily rising. **This driver has specific significance to GM, where the number of those presenting as rough sleeping following exit from national asylum support services (35% in December 2023) is far greater than the national average (7% in December 23).**
- 1.13 Finally, the research briefing identifies increased fuel and energy costs to be one of the major underlying factors to high inflation and cost of living increases. Data from Citizens Advice shows that in January 2024 fuel related enquiries were the most frequently reported cost of living related issues by households in Greater Manchester,

reaching almost 4,000 enquiries. This represents the highest demand for this issue on record and **is 4.5 times higher than the number of enquiries made relating to this issue in January 2021.**

- 1.14 The latest version of the dashboard can be viewed live at this link (and is attached as a PDF report): [GM Cost of Living Dashboard](#)

2. DEVELOPING RESPONSE TO THE IMPACT OF THE COST OF LIVING CRISIS ON RESIDENTS

- 2.1 To mitigate the impacts of the cost of living crisis experienced by GM residents (as outlined in Section 1), the GM partners are developing a policy response including the activities described below.

GM Cost of Living Response Group

- 2.2 The GM Cost of Living Response Group comprises of representatives from the 10 Local Authorities, NHS GM, VCSFE organisations, GM Housing Provider Group, GM Equality Panel Representatives, GMP and GMFRS. The group met on 6th February 2024 with a focussed discussion on the impact of the potential loss of the Household Support Fund (HSF) from 1st April 2024. This would also coincide with the final Cost of Living Payments for residents on tax credits and low income benefits.
- 2.3 The HSF provided £54 million in 2023/24 and has provided crucial support to residents especially those who are classed as financially vulnerable e.g. disabled people, families in receipt of Free School Meals, and older people entitled to Pension Credit. The majority of HSF has been used to provide crisis support during the pandemic and cost of living crisis.
- 2.4 Following representations before the Budget, including from the Local Government Association and a letter from the GM Mayor and Leaders and cross sector partners, the Chancellor announced a further 6 month extension to the Household Support Fund in the Spring Budget which was welcomed by local authorities. However, there

was a recognition this fell short of the initial request to extend the fund for another two years.

- 2.5 Building on the success of the Warm Spaces initiative that was launched last year in response to spiralling energy prices, localities have successfully delivered this scheme for a second year. Partners from public and VCSFE sector organisations have not only provided a space for residents to keep warm, but venues have also provided visitors with an opportunity to connect with other people, learn a new skill e.g. Digital skills or receive advice regarding benefit entitlements. Localities continue to provide a high level of bespoke support to their most vulnerable residents who continue to struggle with the associated impacts of the cost of living crisis.

Money Matters Pilot

- 2.6 Greater Manchester Poverty Action (GMPA) presented at the GM Cost of Living Response Group on the 'Money Matters' initiative that has been piloted in Trafford. This is a collaborative initiative between Kellogg's, GMPA and Trafford Council. Kellogg's provided funding to place a Financial Inclusion Advisor into six schools in Trafford. Face to face and telephone support was made available to families in settings such as Breakfast Clubs, helping address debt issues or unlock entitlement to benefits.
- 2.7 The evaluation shows that to date, over 137 families have been supported unlocking a total income of £220,000 which equates to an average of £1,600 per family. Other positive outcomes included increased engagement with diverse communities, increased attendance by students and improvements to family life with positive physical and mental wellbeing outcomes due to the removal of financial stress.
- 2.8 Rochdale and Stockport are in the process of trialing this initiative in three schools and work is ongoing to develop a proposal to engage private funders for a potential large scale roll out across GM.

Food Poverty

- 2.9 The quarterly meeting of the GM Food Security Action Network (GM FSAN) took place on Wednesday 24th January and focussed on ways to improve connections and engagement with schools and colleges across the city region. Greater Manchester FareShare provided an overview of the cooking classes they have been providing to teach families essential cooking and budgeting skills. There was a recognition that further work is required to ensure schools and colleges are represented, connected and engaged with the GM FSAN.

3. HEADLINES FROM GM ECONOMIC RESILIENCE DASHBOARD

- 3.1 The UK economy moved into a technical recession in Q4 2023. The Office for National Statistics estimates that output of the UK economy contracted for two consecutive quarters from June to December 2023. The contraction in Q4 2023 reflects falls in the output of services (-0.2%), production (-1.0%) and construction sectors (-1.3%), plus a decrease in household and government expenditure and lower net trade. Over the same period, gross capital formation increased by 1.4%, indicating that compared to the previous quarter businesses increased their investment in replacing or expanding their assets.
- 3.2 Forward looking indicators at the UK level show some signs of improvement. **The UK Purchasing Managers Indices (PMI's) have all improved by at least 2 points since the last Economic Resilience Dashboard was published in October, and the Services PMI now indicates expected growth.** The UK Consumer Confidence Index remains negative but has risen month on month since October to -19, an increase of 11 points in total. **In Greater Manchester however, the Chamber of Commerce's indicator of business confidence, the GM Index, fell for the third consecutive time to 19.3 for Q4 2023, down from 30.3 in the first quarter.** GM Chamber of Commerce data shows this fall in confidence has occurred alongside a negative outlook for domestic and export orders in the manufacturing sector.

- 3.3 UK inflation has eased slightly but remains well above target (2%). **In the 12 months to January 2024 the Consumer Price Index of inflation was 4.0%.** The specific rate of inflation of some necessities was higher, with food and non-alcoholic beverage inflation rate at 6.9%, health at 6.9% and clothing and footwear at 5.6%. The February 2024 [Monetary Policy Report](#) notes that the Bank of England expect the rate of CPI inflation to remain above target for most of the year, reaching 2.75% by the end of 2024.
- 3.4 A significant proportion of GM businesses report experiencing impacts of inflation, **37% of businesses surveyed by the Growth Company continue to experience increased costs and 21% are experiencing cashflow issues.** Across the UK, the number of company insolvencies has been trending slightly upwards. In December 2023, there were 512 more insolvencies than in December 2021.
- 3.5 Job vacancies in GM were relatively robust throughout 2022 and the first half of 2023. **From June 2023 the number of job postings has fallen, with 8,200 fewer job postings in January 2023.** Data from the Growth Company shows in the 12 weeks to February 2024, 4.4% of surveyed businesses report they were considering making redundancies. Noting that the ONS advise treating economic inactivity data with caution, the data for February shows an increase in the economic inactivity rate in the North West to 23.2%, up from 22.4% in October. Data on work requirements of universal credit claimants has shown continuous growth in those with no work requirements from 27% of claimants in January 2022 to 37% in January 2024.
- 3.6 The latest version of the dashboard can be viewed live at this link (and is attached as a PDF report): [GM Economic Resilience Dashboard](#)

4. DEVELOPING RESPONSE TO THE IMPACTS ON BUSINESSES

- 4.1 In response to the economic climate outlined in Section 3, partner organisations across Greater Manchester continue to support GM businesses to grow. Recent updates on these activities are outlined below.

Growth Company and Business Growth Hub Services

- 4.2 The Growth Company (GC) and GC Business Growth Hub (BGH) continue to provide a range of core business support programmes commissioned by the GMCA, UK Government and others. In November 2023, GC BGH was awarded £7.5m from the UK Shared Prosperity Fund to deliver a comprehensive offer of support to Greater Manchester businesses until March 2025. As well as supporting with day-to-day queries and promoting growth, businesses are offered practical and specialised support based on their needs and ambitions in areas such as accessing finance, innovation, and decarbonisation. A team of advisers work closely with each local authority to ensure support aligns with local provision and is accessible for all.
- 4.3 A new online resource called SimpliFi has been launched by Growth Company to assist small businesses access capital to start up and grow. It offers advice on obtaining funding, making investment pitches, creating business plans, and more. Businesses in Greater Manchester, regardless of size or stage, can now access information to assist them obtain finance.

Real Living Wage

- 4.4 The Living Wage Action Group continues to work towards the goal of Greater Manchester becoming the first city-region to pay all employees a real living wage (RLW). As of January 2024, there were 751 Living Wage accredited employers in Greater Manchester who have made the public commitment to pay all their staff and first line suppliers at least the RLW. This number of accredited employers exceeds the original target for at least 650 employers in GM to be accredited by November 2024.
- 4.5 Employers have until 1 May 2024 to implement the new rate for the RLW of £12 per hour, an increase of £1.10 from the previous rate. The Action Group are exploring the impact of the new RLW rate with initial anecdotal evidence suggesting it may prove challenging for some employers to implement but many remain committed to paying it.

- 4.6 Provisional data results, by workplace, indicate that just under 13% of jobs in Greater Manchester (roughly 149k) are paid below the RLW in 2023. This is the same proportion as the UK as a whole. The proportion in GM has fallen from 19% in 2021 when the Living Wage Action Group began its work. Just over a fifth of jobs in Tameside workplaces paid less than a living wage in 2023. Tameside was followed by Bolton (18.2%) and then Rochdale (16.8%) as the workplaces with the highest prevalence of sub-living wage jobs. Women (56%) and those employed on a part-time (57%) basis were more likely to earn less than the RLW.
- 4.7 The Greater Manchester Good Employment Charter are a key delivery partner for the real living wage campaign, as payment of RLW is part of the criteria to become a recognised member of the Charter. There are 712 organisations signed up to the Charter, with 111 of these recognised as members and 601 registered as supporters. All 10 GM Local Authorities are also now members of the Good Employment Charter as of November 2023