South Yorkshire
Weekly Policy Briefing

26th May 2023

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This Week's Policy Highlights:

- ❑ Research shows that Sheffield benefits more than almost every other part of the UK from the economic impact of international students, and Yorkshire more than most regions as overseas students numbers have grown in recent years, contributing £37.4bn to the economy in 2021/22.

- ❑ Analysis from NIHR Applied Research Collaboration Greater Manchester (ARC-GM), the University of Manchester and Health Equity North (HEN) found that the North missed out on £21m from the Government's Community Renewal Fund due and could miss out on £250m from the Shared Prosperity Fund if the same methodology is applied

- ❑ The Institute for Fiscal Studies report that more adults are paying higher rates of tax than ever before. By 22–23, 11% were paying higher rates, with that figure set to reach 14% by 2027–28. Of that 14%, 3.1% of adults will face rates of either 45% or 60%.

- ❑ Amid a falling inflation rate, the Office for National Statistics revealed that food prices in the UK surged at the fastest rate in nearly 45 years in April, at a rate of 19.1%.

International students and local economies

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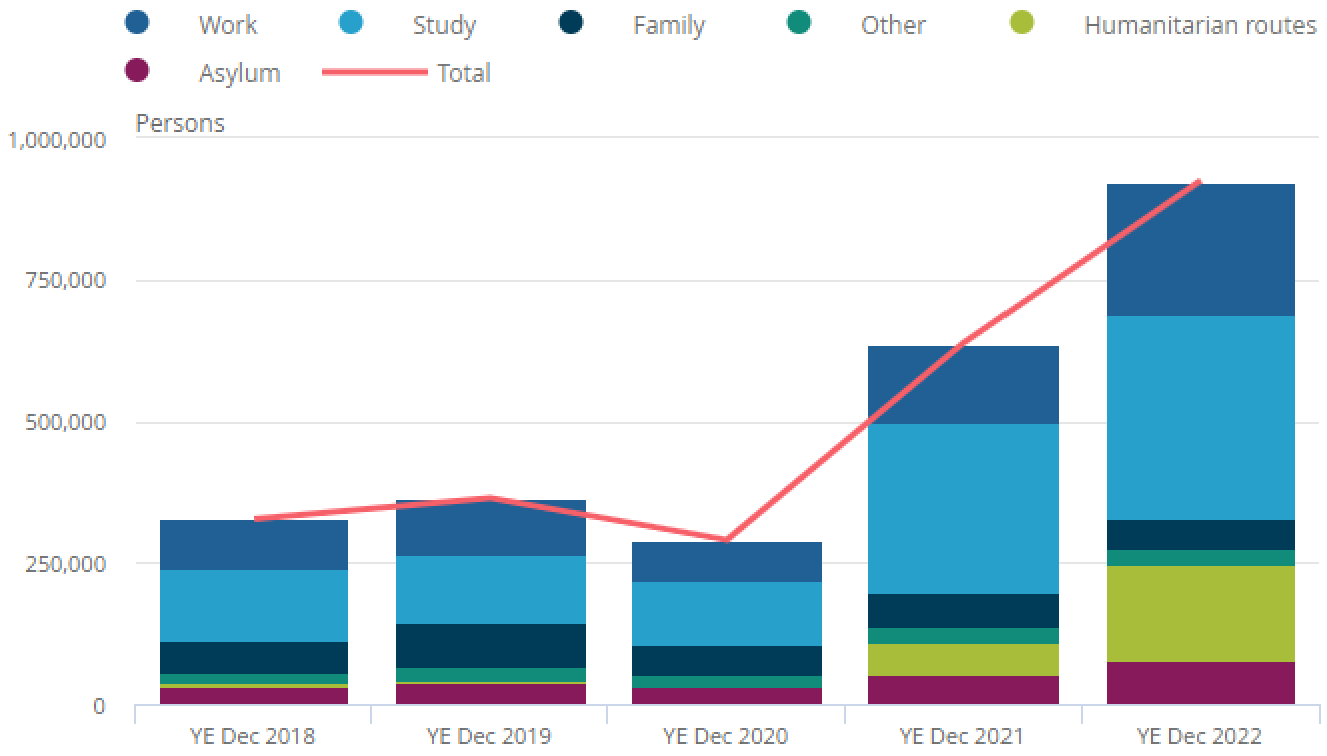
International students and migration

Thursday's UK net migration figure rose to a record level. Putting politics aside, there is an important debate about how the 'net migration' figure is calculated. According to ONS there are multiple drivers for the rising number such as humanitarian resettlement, but a significant factor is international students.

Research from UK In a Changing Europe argues that more international students arriving increases the figure, but the effect reverses when the return home. The new Graduate Visa will extend this as it allows students to stay on for two years.

There are increasing calls to not consider students in the 'net migration' figure, and polling shows the public doesn't consider international students in the same way as other groups of migrants.

Total number of non-EU nationals who immigrated long term into the UK by reason for immigration, between 2018 and 2022



Source: ONS

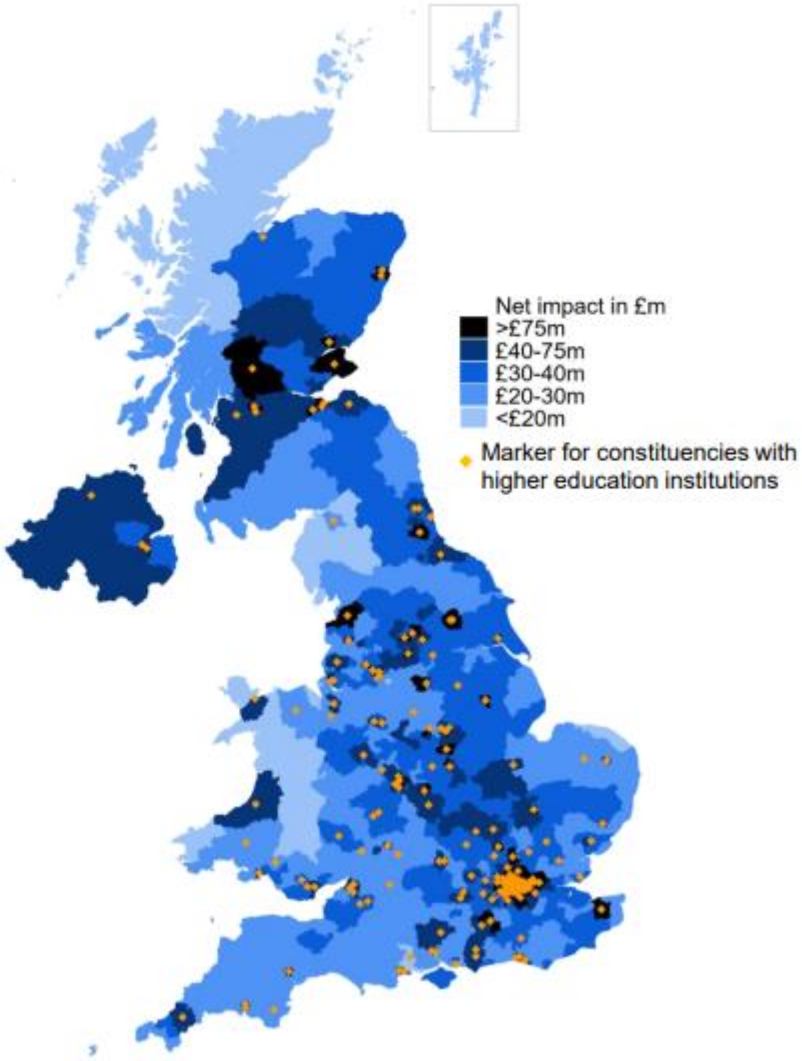
Economic impact of international students

A recent research collaboration assessing the economic impact of international students has estimated that out of all 650 UK electoral constituencies, Sheffield Central ranks 3rd in terms of net economic impact, bringing in £273m in 2021/22. Overall, Yorkshire and Humber had the 3rd highest of any region.

This figure is relevant for students at both Sheffield Hallam University and University of Sheffield, and takes into account the costs they imply for the public purse such as accessing healthcare, housing, and education for dependent children. Each non-EU domiciled student has a net impact of £96,000 on average.

The number of international students from outside the EU has risen rapidly: an increase of 68% between 2015/16 and 2021/22, and so the economic benefit has risen over the same period.

Figure 9 **Net impact associated with the 2021/22 cohort, by parliamentary constituency**



Source: Higher Education Policy Institute

Community Renewal Fund

North Missing Out

Analysis from NIHR Applied Research Collaboration Greater Manchester (ARC-GM), the University of Manchester and Health Equity North (HEN) found that the North missed out on £21m from the Government's £220m Community Renewal Fund (CRF).

It claimed that the current methodology for the CRF runs the risk of widening existing inequalities rather than 'levelling up' and should instead be based on an objective measure of need and involve local leaders in decision making.

Expected funding for each region in England was based on a 'resilience score' which the government calculated by looking at productivity, skills, unemployment, population density and household income. These were selected to identify places with poor economic performance, which would be less able to resist and recover from shocks but had no significant correlation with actual funding allocations.

Below expected allocations

Yorkshire and Humber received a regional economic resilience index (ERI) score of 34.5, the third lowest and below the national average of 46. However, the actual allocation was £12.3m, the 4th lowest above London, North East and the North West.

The research developed an allocation for an expected share using the ERI score and found it should have had £17.5m.

This means that the region missed out on £5.1m as a consequence, compared with other regions who were allocated more than their allocation (topped by the South West who got £9.9m more than expected).

Table 2. Regional economic resilience index (ERI) scores, actual and expected Community Renewal Fund (CRF) allocations for English regions.

Region	ERI score	Actual CRF allocation (£ millions)	Expected share based on ERI (£ millions)	Difference (£ millions)
East Midlands	42.5	£18.4	£14.2	£4.3
East of England	51.0	£16.5	£11.8	£4.7
London	65.6	£3.8	£9.2	£−5.4
North East	28.5	£7.7	£21.1	£−13.4
North West	41.3	£12.1	£14.6	£−2.5
South East	61.7	£12.8	£9.8	£3.0
South West	50.4	£21.9	£12.0	£9.9
West Midlands	38.7	£20.0	£15.6	£4.5
Yorkshire and The Humber	34.5	£12.3	£17.5	£−5.1

Shared Prosperity Fund

The research argues that if the same allocation methodology were used for the Shared Prosperity Fund, regions in the North could be underfunded by £250m.

For Yorkshire and the Humber it estimates that, using the ERI score, it should receive a total allocation of £208.5m whereas the projected allocation is in fact £147.2m.

This means that the region could miss out on £61.4m whilst other regions, in particular the South West gain from this methodology when compared with the Economic Resilience Index (ERI) score.

Table 3. Shared prosperity fund (SPF) projections and expected share allocations for English regions.

Region	Economic resilience index (ERI) score	Projected SPF allocation (£ millions)[a]	Expected share based on ERI (£ millions)	Difference (£ millions)
East Midlands	42.5	£220.3	£169.2	£51.1
East of England	51.0	£197.1	£141.1	£56.0
London	65.6	£45.3	£109.7	£–64.5
North East	28.5	£92.2	£252.1	£–159.9
North West	41.3	£144.7	£174.0	£–29.3
South East	61.7	£152.6	£116.6	£36.0
South West	50.4	£261.5	£142.8	£118.7
West Midlands	38.7	£239.2	£185.8	£53.3
Yorkshire and The Humber	34.5	£147.2	£208.5	£–61.4

Note: [a]Linear projection of Community Renewal Fund (CRF) first round allocations.

Tax Threshold Freeze

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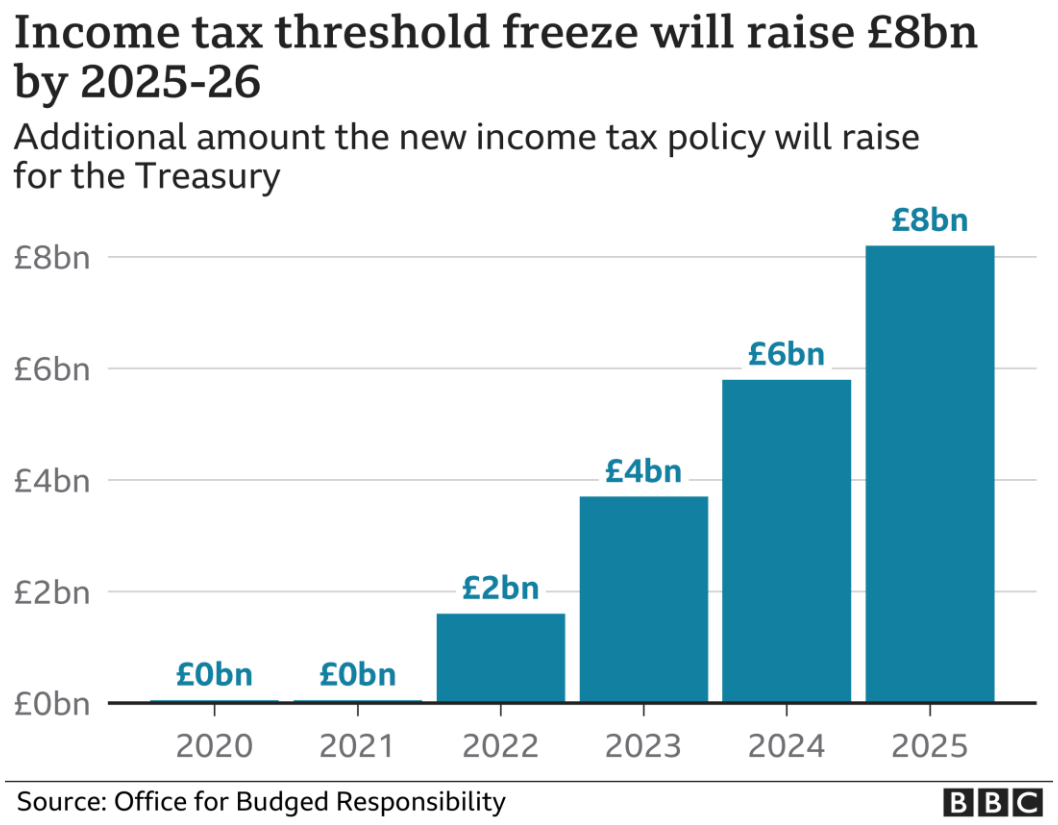
Key findings

A recent report by the Institute for Fiscal Studies demonstrates the scale of tax base growth in the UK since the early 1990's. This shows that more people are paying the higher rate of tax than ever before, with particular rises in lower paying professions such as nurses and teachers.

Last month marked the start of a six-year freeze in the cash value of income tax thresholds – the personal allowance (£12,570), when income tax begins to be due, and the higher-rate threshold (£50,270), when individuals start to become liable for the 40% rate.

This is set to represent the largest single tax-raising measure since VAT nearly doubled to 15% in 1979.1 As a result, real household disposable income (RHDI) will, by 2027–28, be 1.4% lower than would have been the case if the personal allowance and higher-rate threshold had been increased in line with inflation – wiping out around a third of the growth that households would otherwise have seen over the period of the freeze.



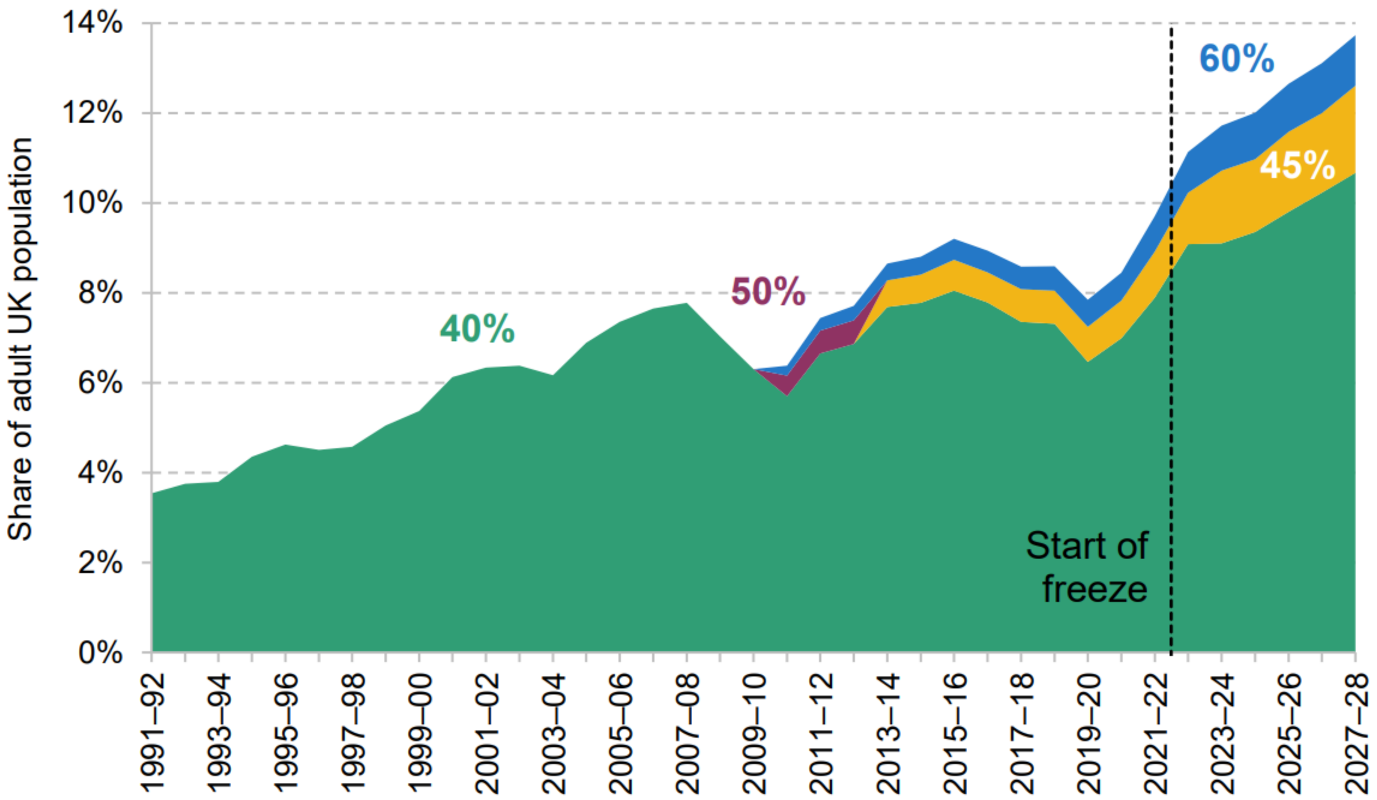
Higher rates paid by more workers

Overall, the combined effect of frozen or (in the case of the additional rate) reduced thresholds will see 2.5 million more taxpayers brought into the higher and additional rates of income tax by 2027–28.

Figure 1 shows this process and breaks it down by the rate of tax that individuals pay on an additional £1 of income. In addition to the 40% and 45% rates, some taxpayers also face a marginal rate of 60% because, since April 2010, taxpayers with an income in excess of £100,000 not only pay the 40% rate but also see their tax-free personal allowance reduced by 50p.

This £100,000 limit has been frozen in cash terms since its introduction, a fact that has seen an ever-greater share of the population having at least some of their personal allowance withdrawn. This means that, with 38 million adults (67%) set to pay income tax in 2027–28, 20% of taxpayers will be paying the higher rate.

Figure 1. Adult UK population by marginal rate of income tax



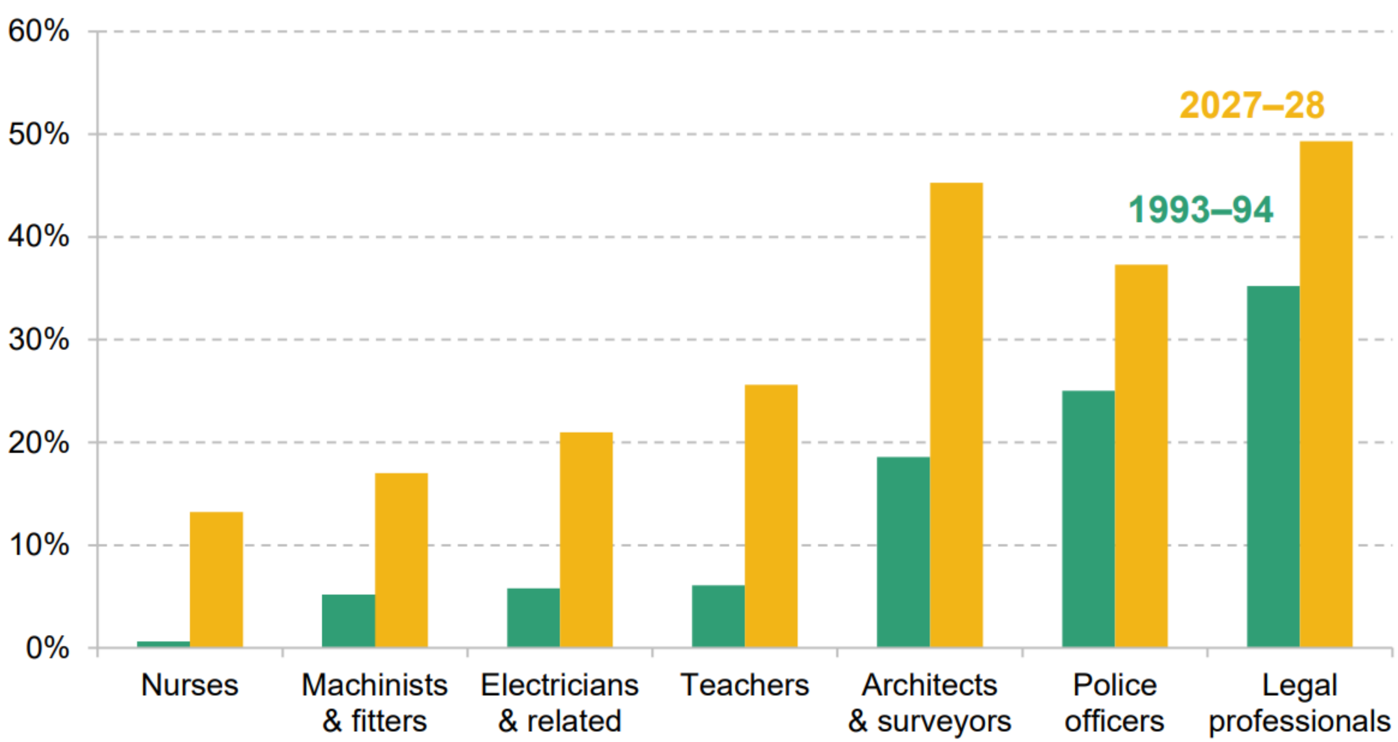
Impact across lower paying occupations

Figure 2 gives a better sense of the occupations being brought into the higher tax rates. It shows the shares of employees in selected occupations paying higher-rate tax in 1993–94 and in 2027–28 (on current forecasts).

In the early 1990s, essentially no nurses and only about 5–6% of machinists, electricians and teachers paid higher-rate tax. In other words, higher-rate tax was reserved only for the very highest paid in these occupations. But by 2027–28, more than one in eight nurses, one in six machinists and fitters, one in five electricians and one in four teachers are set to be higher-rate taxpayers.

Among police officers, architects and surveyors, and legal professionals, we also see increases in the share paying higher-rate tax over time, with almost half of the latter two groups expected to be paying higher-rate tax in 2027–28.

Figure 2. Estimated share of employees in selected occupations who pay higher-rate tax



Economic Update - Inflation

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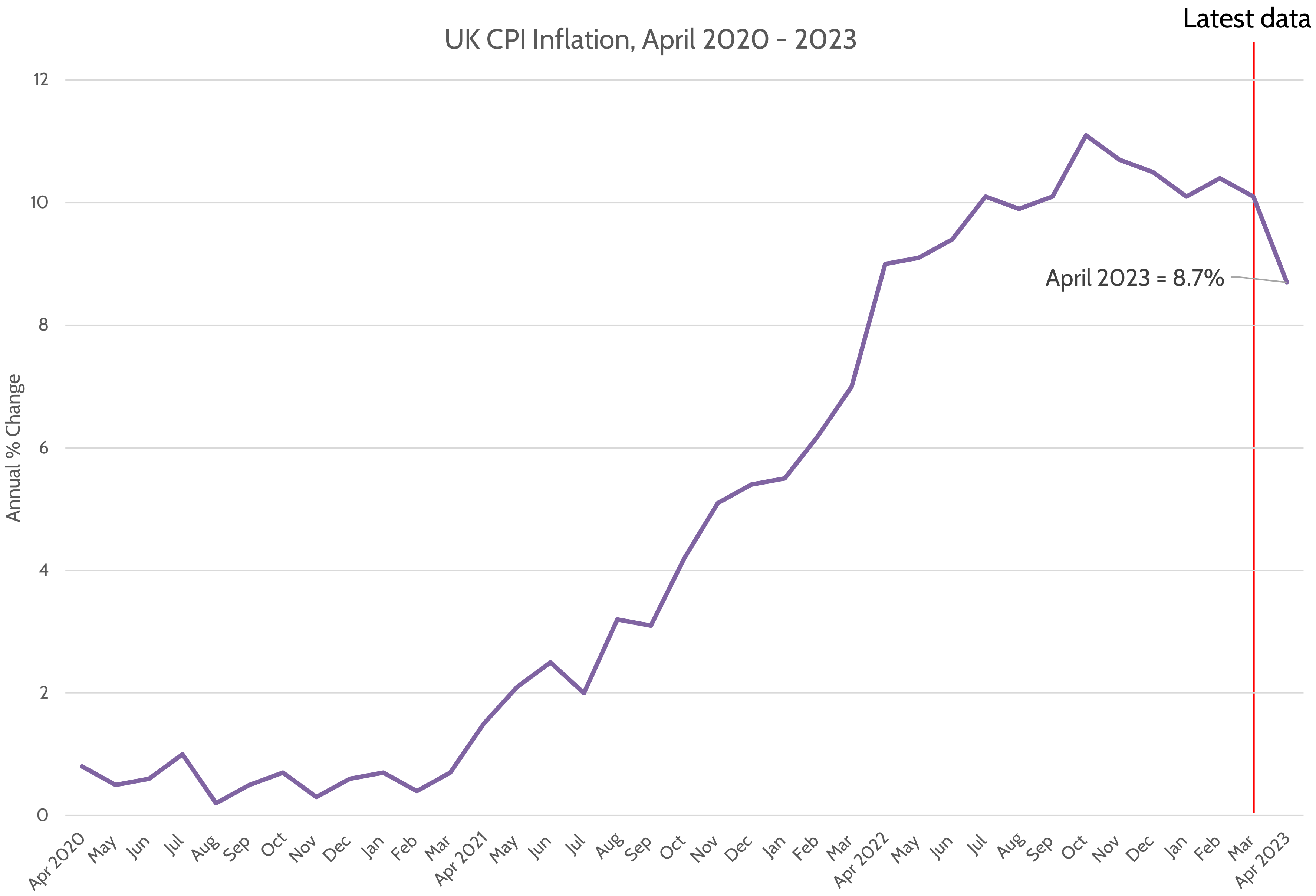
Inflation below 10%

Inflation is stubbornly high – this week's ONS release for April 2023 shows that average price rises have began falling after they peaked at over 10% in July 2022. Other countries also face similarly high inflation, including Italy and Germany.

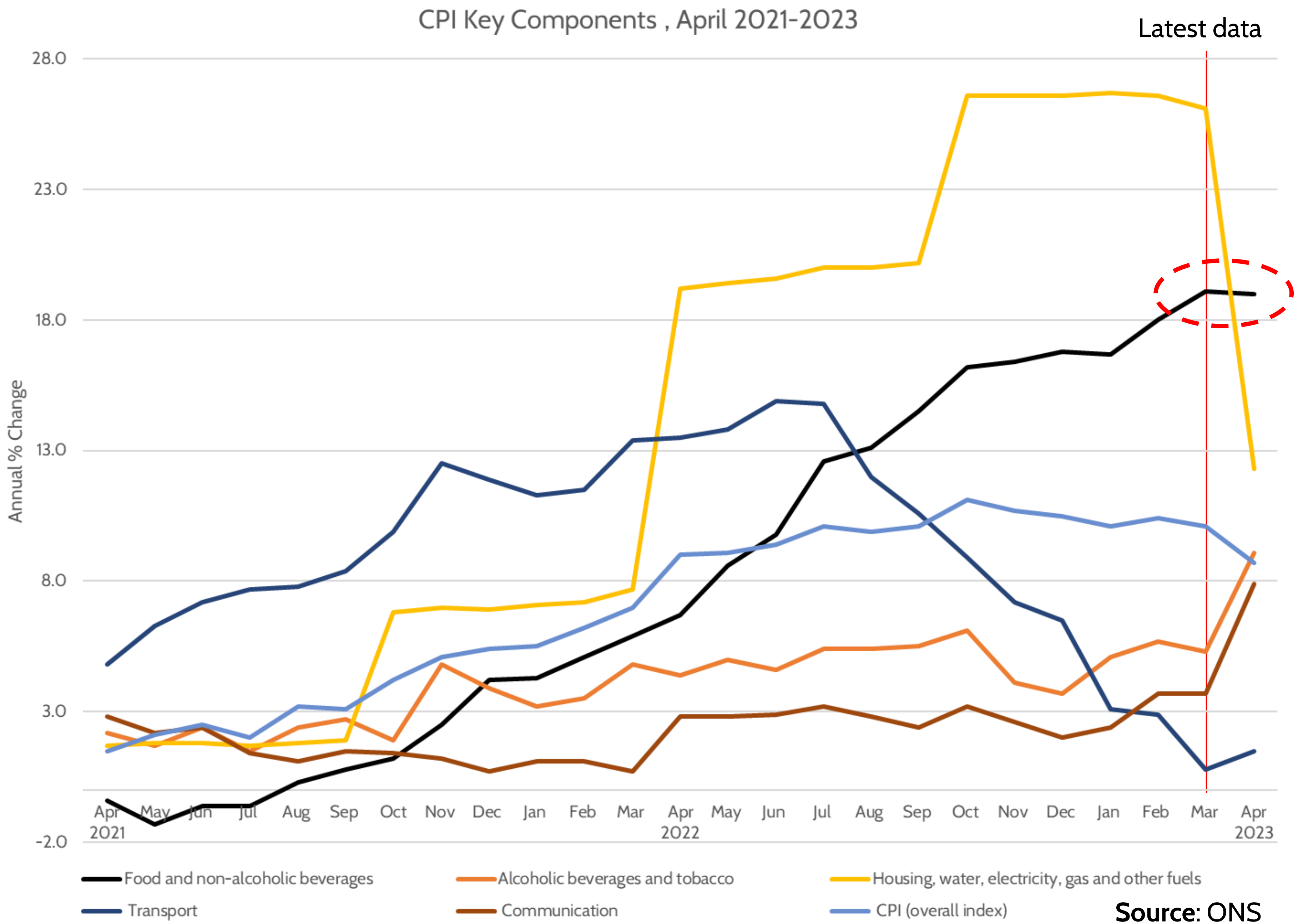


Source: ONS

Housing and energy prices fall…

However, upon further inspection, it appears that key components of inflation have seen dramatic shifts in recent months.

Housing and energy prices have more than halved to 12.3% in the year to April, whereas food and drink is still stubbornly high.



Source: ONS

...But food prices continue rising

According to the Office for National Statistics, food prices in the UK surged at the fastest rate in nearly 45 years in April, at a rate of 19.1% which is close to record highs, despite slowing marginally. It means the basket of food that cost £50 a year ago is now close to £60.

Whilst the overall UK inflation rate (but remains above the expected 8.2%), the spike up in core inflation (price pressures excluding food and energy) is now at 6.8%, the highest level for 31 years.

Ofgem also announced a drop in the **energy price cap** this week, which limits how much suppliers can charge per unit of energy. A typical household will now pay £2,074 a year on its gas and electricity bill, and will mark the end of a government's Energy Price Guarantee which, since October, has limited the typical bill to £2,500.

How the cost of some foods has risen

Item		April 2023 price	Change in 12 months
Granulated sugar	1kg	£1.08	▲ 47%
Cheddar cheese	400g	£3.77	▲ 39%
Eggs (Average)	12	£3.29	▲ 37%
Milk	2 pints	£1.30	▲ 33%
Potatoes	1kg	£0.73	▲ 28%
Sliced white bread	800g	£1.39	▲ 28%
Chicken	Whole	£3.79/kg	▲ 23%

Source: Office for National Statistics / Getty Images

BBC

In other news....

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Superhero Council Workers

A set of action figures depicting council workers and designed by renowned Marvel artist Will Sliney have been launched by Unison, which represents public service workers including those in local government, to celebrate the contribution of council workers to local communities.

The limited edition figurines include a community care worker, lollipop lady, librarian and refuse worker. Each "everyday action hero" figure comes complete with outfit, props and comic strip, designed by Mr Sliney using advanced 3D printing technology.

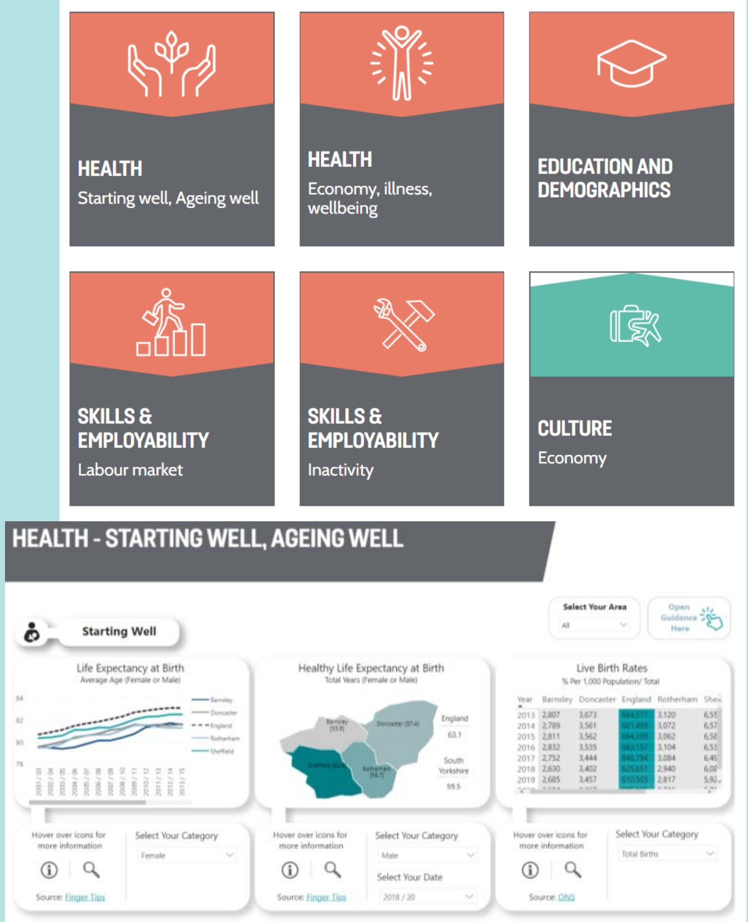
The highlight of these figures is South Yorkshire's very own Sandy Cox, from Doncaster, who has been a crossing warden for Rotherham Borough Council for nine years.

South Yorkshire Data & Intelligence Hub

Want to access data and trends relating to South Yorkshire?

Head to the South Yorkshire Data & Intelligence Hub, which provides a range of data useful for understanding the local economy, as well as social and environmental outcomes.

It also helps to understand relative performance and changes in data. See how it works on YouTube here.



Whether you're a resident, employer, academic, researcher or just interested in data, this can help you understand South Yorkshire's economy and develop evidence-based solutions.

Visit the dashboard now at https://southyorkshire-ca.gov.uk/Data-Intelligence-Hub

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