

**Economic & City Development Overview &
Scrutiny Committee**

28 January 2015

Report of Assistant Director Governance and ICT

**Draft Final Report on Graduate Business Start-ups, Entrepreneurialism
and Higher Value Jobs**

Summary

1. This is the Draft Final Report on the work on the agreed scrutiny review of more productive and higher value jobs being undertaken by a Task Group on behalf of the Economic & City Development Overview & Scrutiny Committee (ECDOSC).

Background to Review

2. At a meeting in March 2014 the Economic & City Development Overview & Scrutiny Committee considered briefing papers on three possible scrutiny review topics and agreed that more productive and higher value jobs could be worthy of scrutiny review. The Committee appointed a Task Group comprising Cllrs Burton (Chair), Semlyen and Cuthbertson to examine the proposed topic further.
3. The Task Group met with Officers on several occasions to agree a suitable remit and during a meeting between the then ECDOSC Chair, the Head of Economic Development and the Programme Director Business Consolidation it was suggested the focus of the review should be on entrepreneurship and graduate enterprise.
4. The Committee subsequently agreed the following review aim and objectives:

Aim

5. To identify cost effective ways to attract graduates and entrepreneurs to start up or relocate in York thus enabling the employment of local people at higher than average wages.

Objectives

6. i) Identify improvements to the way York attracts and supports graduates and young entrepreneurs to develop enterprise in the city.
- ii) Identify an improved marketing strategy for York in general and as a place to grow higher value jobs.

Consultation

7. City of York Council Economic and Enterprise Officers and the Business & Economic Intelligence Unit have been consulted and have provided information in support of this review, as have the University of York, York St John University, Sophie Jewett of York Cocoa House, Ged Dillon of The Hog and Apple, York, and Catalyst IT Solutions, Heslington East, York.

Background

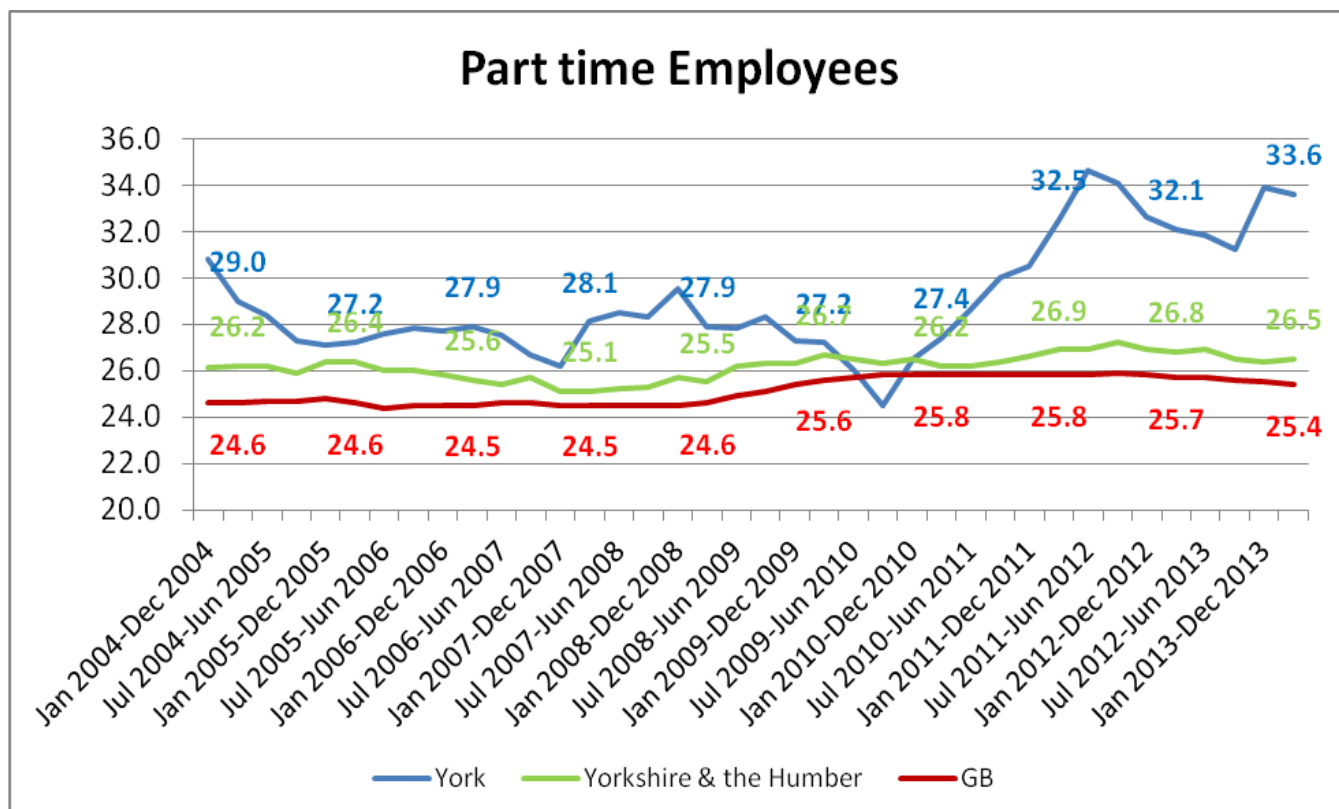
8. In looking to attract higher value jobs it is necessary to understand and appreciate the link between Gross Value Added (GVA) and the higher value jobs. GVA is linked to gross domestic product (GDP) as both are measures of economic output.
9. Recently published figures by the Office of National Statistics show the value of York's Economy was worth £4.31 billion in 2012, the highest since 1997 and beating pre-recession levels of £4.27 billion. The GVA per head in 2012 was above the UK 100 Indices at 101.1 and was 2nd in the region behind Leeds.
10. However, there is a need to remain competitive on a national and international scale and the Centre for Cities Outlook has ranked York 40 out of 64 cities in regards to GVA per worker hence:
 - GVA per head is not competitive.
11. This can be tracked back to two headline issues, both of which reflect changes in the sectoral composition of York's economy, in particular the decline in manufacturing employment, which began in the 1990s:
 - We have high employment in traditional low productivity areas such as hospitality, catering and retail;

- We have low employment in the traditional high value areas such as insurance and pensions, pharmaceuticals, telecoms, chemicals and biochemistry.

12. The Task Group agreed that as York has low unemployment it is not that people do not have jobs and they wanted to find out how to raise the average level of wages by looking at sectors of the economy that can provide jobs and higher wages. The Task Group could look at either bringing in new organisations or helping home grown businesses develop and boost entrepreneurialism. The Task Group agreed it would be better to look at entrepreneurialism rather than outside businesses.

Information Gathered

13. While the unemployment rate in York is below the national average the latest economic dashboard shows the percentage of full time employees has fallen to 66.1% (from a high of 75.4% in September 2010) while the percentage of part time employees has risen to 33.2% (from a low of 24.5 in September 2010). ECDOSC members suggested that students staying in the city after graduation are taking part-time employment or roles previously taken up by those with lower levels of education, while they established a career path



Objective i)

14. To progress the review the Task Group wanted to consider best practice from other local authorities on what they are doing to encourage entrepreneurialism and assist companies to start and grow. A short survey found:

- **Leeds City Council:** QU2 (Supporting Business Success through Leeds Metropolitan University). Professional business centres offer a range of office services at affordable rates. Social media training provides an overview of online networks to give businesses a digital presence. They work closely with the university business start-up team to ensure the transition from university to running a business is as seamless as possible. They also offer recent graduates access to hot desk facilities and the use of a business address, free of charge, for three months.
- **Sheffield:** Works closely with Sheffield Hallam University and the University of Sheffield to support graduate and post graduate business creation.

Sheffield Hallam helps students – or graduates from the last five years – start their own businesses with free access for a year to specialist business knowledge and resources to improve their chances of success. Last year, it supported almost 600 students with their business ventures.

The University of Sheffield runs a pre-start programme to take graduates from the late concept stage through to a stage where they are either ready to launch their business or apply for investment/funding if necessary. Some are incubated in an innovation centre for six months free of charge where they have access to an in-house business adviser, free printing, outgoing calls and WiFi, meeting rooms, workshops and networking events.

- **Hull:** The enterprise centre acts as a central point of access at the University of Hull for activities which will enhance enterprise skills and inspire business start-ups, supporting and driving activities from students, graduates and staff as well as members of the wider community. The enterprise centre also works with schools to help create a more enterprising culture.

- **Durham:** Enterprise activities allow the opportunity to explore entrepreneurial potential and to set up and run a business whilst still at University. The 'enterprise support programme' helps provide the knowledge and skills required for students to start exploring business start up and self employment. The programme has been developed by university staff, small business experts and entrepreneurs, and aims to give practical help and advice as and when needed. A resident business adviser is available to discuss any aspect of business start-up.

15. To gain further information about what is available in York, Task Group Members took part in visits to the University of York and York St John University in June 2014.

University of York

16. Task Group Members visited the University's Ron Cooke Hub at Heslington East, which offers workspace accessible to entrepreneurs, business and other organisations. Facilities include high-quality, subsidised start-up space; areas for meetings, presentations, seminars, training and hospitality; access to industry experts and business support advisers; facilities to promote services; intern and graduate recruitment pool and networking opportunities.
17. The Hub was largely funded through the European Regional Development Fund as part of a project to encourage knowledge transfer between the University and local businesses. The Embedded Business Space and Technology Transfer project evidenced the following Small and Medium Enterprises (SME) / business engagement results:
- 75 SME assists – a minimum of 12 hour / two day intensive support.
 - 20 new businesses created – there are more in the pipeline but can only be reported once they have sustained for 12 months+.
 - 358.5 (FTE) new jobs created.
 - 12,709m² new floor space created.
18. The project is also targeted to grow the regional economy by achieving GVA of £37 million between the start and end dates from January 2007 to December 2014.
19. Central to the Hub offering is Springboard, low cost, fully serviced accommodation for start-up businesses.

It provides space, time and support for entrepreneurs to turn ideas into commercially-viable businesses. Businesses must be less than 12 months old and they can stay in Springboard for one year.

20. In the Hub's annual report for 2013 York Science Park Ltd reported that they had seen keen interest in Springboard despite the tough economic climate. During the 2012/13 academic year the average occupancy was 61%. However since its inception Springboard has supported 34 companies with an average occupancy of 73%. There were no business failures within Springboard during the 2012/13 academic year, with 50% of the companies ending their subsidised period in the domain being retained within York Science Park managed premises; moving to the adjacent Catalyst office building.
21. The Student Enterprise Space situated within the Springboard domain provides a free-of-charge office base and postal address for promising student businesses, including business support events and proof-of-concept¹ / social enterprise funding opportunities. The number of students signing up to use the facilities has grown 206% in 2012-13 to a total of 49 students running 30 businesses.
22. The integration of student businesses and external companies is proving invaluable for the cross fertilisation of ideas and support. The University offers funded enterprise internships to students and graduates to explore their business ideas and makes no claim in the intellectual property of its undergraduates
23. The Catalyst at Heslington East provides follow-on space and is designed to support the growth of early stage companies in the creative, IT, digital and media sectors. It gives new businesses the opportunity to access the facilities and the teaching and research expertise of the University's academic departments, including computer science, law and management and the Department of Theatre, Film and Television.
24. University of York alumni have set up a network of entrepreneurial alumni <http://yorkexperts.co.uk/> which allows specialist advice for students looking to set up in business or are involved in a start-up business.

¹ Proof-of-concept is documented evidence that a potential product or service can be successful.

25. York Entrepreneurs is a society which has a large student membership. They run a number of projects on campus but also undertake other activity such as outreach with schools. Enactus is a similar student society aimed at supporting social enterprise.
26. The York Award is a well-established recognition programme for students who wish to develop broader employability skills.
27. The University identified one of the obstacles to setting up a small business in York as being the lack of a critical mass of graduate jobs. If a graduate starts a business and it does not work then there is no fall-back. This presents an employment risk because if the new enterprise fails there are few other employment options.
28. Another possible obstacle is the perceived lack of convenient car parking at the Heslington East campus which is a cause of frustration for start up businesses wanting to attract clients from other parts of the country. However, the Hub's Annual report 2013 states that one of the most important improvements during the year is the opening of the Kimberlow Lane car park and new access via Grimston Bar, enabling ample parking facilities for all.
29. A problem could be the signage from both the A65 and from Heslington West as drivers on Hull Road are asked to follow signs to the Sports Village and Grimston Bar Park and Ride to access Kimberlow Lane car park, although literature providing clear directions is available on the university website.
30. There was also a suggestion that the university would benefit from a hotel near the Heslington East Campus, both for clients of businesses using the Springboard and Catalyst office buildings and people attending conferences and lectures at the Ron Cooke Hub.
31. To gather further evidence Task Group Members visited Catalyst IT Solutions, a developing IT support business based in the Springboard, a facility they considered invaluable.
32. While the two entrepreneurs behind Catalyst IT Solutions were focusing on building their business they were struggling with business support and would have benefitted from a basic composite business service at a discount rate. Ideally this would be a form of one-stop shop providing help and advice with business, financial and legal matters.

They would also welcome a community of entrepreneurs so they could meet people in a similar situation for networking events.

York St John University

33. Since 2009 expert staff have helped budding entrepreneurs and small organisations to achieve their potential through workshops, start-up business programmes, access to funding and the provision of affordable work space.
34. Start-up facilities include dedicated offices, hot desks, meeting spaces and small conferencing suites, providing a professional environment for young businesses. Start-ups have access to the University's facilities and resources as well as advice from YSJ academics and technical staff.
35. The Phoenix Centre was launched to kick start the development and growth of creative and digital businesses and in the five years since its launch it has accommodated 65 start-up businesses.
36. The centre has been developed by Science City York in direct response to feedback from members of its Creative York and IT & Digital York networks, fulfilling an identified requirement for a centrally located, incubation facility to support the region's growing creative and digital sectors. Businesses can occupy space in the centre for a maximum of one year.
37. St John also has effective connectivity with its alumni through a mentoring scheme which provides opportunities for students to improve their employability skills and enhance career prospects. It views entrepreneurship not only as setting up in business but also the skills around innovation.
38. The incubation facility provides affordable space and allows students to develop their business in a collaborative environment. This internal marketplace has allowed as many as four Phoenix businesses to work on the same project.
39. The incubation and mentoring services have provided business help to more than 150 businesses while the enterprise team supports over 350 graduate business inquiries each year. Some 4% of York St John graduates, from a student population of 6,500, establish a business, compared to 2.6% regionally. Again many decided to set up a business some years after graduating.

A graphic designer developing a business at the Phoenix Centre left University five years ago while another who set up a social enterprise working with people with dementia had been working from home for a year and a half. She hopes to be able to find some affordable shared space when she has to leave the centre.

40. In early July 2014 York St John hosted an Entrepreneurs Boot Camp at which 31 would-be business people were given expert advice on how to get started. The four-day programme included practical aspects of starting a business such as finance, marketing, business planning, networking and sales. Sessions were led by business experts and professional advisers such as solicitors and accountants.
41. The University hosts an annual Enterprise Event offering workshops and the opportunity to hear from established businesses in the area. This is usually free and in the past has been held during York Business Week.
42. The Acorns Programme is aimed at self-starters who are about to become self-employed or have just started their business venture. The programme offers practical advice and support to turn ideas into reality.
43. York St John conducted a survey of graduate businesses and where they are now and it found that 30% had left York because they could not find affordable, reasonably equipped space.
44. The migration out of the city is highlighted by the creative agency The Beautiful Meme (TBM) which was created in York five years ago, although not by York graduates. The agency is making its mark nationally and internationally, winning major UK and international awards for creativity. Clients include AXA PPPhealthcare, King's College, Design Museum, AkzoNobel, English National Ballet Opera North and National Trust Scotland. The Task Group asked the founder and creative director of TBM, to help the review by sharing his experiences but he declined, saying he was relocating his business to London at the end of 2014.

Graduate Support

45. Higher York is a partnership of Askham Bryan College, the University of York, York College, York St John University, and the City of York Council. Craven College is an associate member.

46. Among Higher York's priorities, the partners are committed to supporting the development of local enterprise, specifically through '*supporting students and graduates to improve their chances in local, national and international job markets and develop their own business skills through enhancing graduate employability and entrepreneurship*'.
47. Pan-institutional activity: The Graduate Entrepreneurship Project, which brought together the 10 higher education institutes in Yorkshire and the Humber, was financed through the European Regional Development Fund. It supported over 70 new start-ups over three years. The future of this project may benefit from a continuation of a regional approach (York St John and Higher York have begun to explore funding opportunities through the Local Enterprise Partnerships).
48. The Business Growth Fund helps new businesses accelerate growth in the crucial first year of trading. In addition to funding recipients receive mentoring, access to contacts, events and networking.
49. The Yorkshire Innovation Fund is operated by the two universities and is aimed mainly at established businesses although start-ups are also eligible.

Science City York

50. Science City York (SCY) is a leading provider of high quality business and innovation services. It was the organisation that secured £19.6m towards the creation of knowledge transfer space across the Heslington East campus, including the Ron Cooke Hub, through the Embedded Space and Technology Transfer project (paragraph 17).
51. It works closely with, and in some ways acts as an extension to, the City of York Council's Economic Development Unit in delivering the aims and ambitions of the Council Plan 2011-15 and the wider York economic strategy. Its aims are:
 - Providing professional high quality business and innovation services;
 - Levering significant investment to support growth;
 - Being a key communicator of all growth sectors;
 - Sharing our expertise to create more value for clients.
52. Key priorities are to help early stage businesses to establish and grow and helping businesses reach their goals (paragraph 36).

This includes providing grow-on space (paragraph 23) and embedded business space for small and medium sized businesses, allowing them to exploit opportunities for collaboration with other businesses and research organisations.

53. Science City York (SCY) was founded in 1998 to help develop York's economy and its priorities are to support businesses to achieve growth; develop new infrastructure to support the region's growth sectors and help businesses to make connections with the academic and research base.
54. In July 2014 the Science City York Board, comprising representatives from City of York Council, University of York, York St John University and the chairs of SCY's sector networks, accepted a proposal by City of York Council for SCY to come under full Council ownership and form part of NewCo (since named Make it York), a company created by the Council to promote business development, tourism and culture in the city.
55. This will allow City of York Council to ensure the SCY offer is brought more closely in line with other York partners and agencies. This will create a wider suite of activities and enable SCY to continue providing services to the key growth sectors of bioscience, creative and IT & digital, in addition to building on its joint programme of work with City of York Council in developing the city's innovation ecosystem.
56. The move builds on the success of SCY over the past decade, in which time it has successfully brought in significant public and private sector funding and contributed to the creation of jobs and GVA growth.
57. The University of York and York St John University are supportive of the move of SCY to encompass the broader remit of NewCo. Both universities have made clear their continued commitment to working with the Council to deliver the ambitions of the city as a Science City, including maintaining the city's provision of innovation and business support across the city's key growth sectors.
58. However, SCY is operating on reduced capacity at present – staff numbers have gone down from 7 FTE to 2 FTE as of the end of December 2014 and as it may take several months to recruit and embed new staff the focus is on sector development work for the biomedical, creative and digital sectors. As of December 2014 SCY could not commit capacity as it did not know what the budget for NewCo will be for this activity.

Objective ii)

59. To identify a strategy to make it easier to grow jobs in York, the Task Group sought the opinions of other people who have set up businesses in the city, a graduate and a former groundworker.
60. York Cocoa House. The Task Group met businesswoman Sophie Jewett in early July 2014. Sophie, a graduate of the University of York and former events officer at York St John University who set up the York Cocoa House in the city centre in 2011.
61. She was still working in events management when she first set up a web based business, Little Pretty Things, offering chocolate based classes, tastings, events and activities. She spent as much time as she could making chocolates, going to fairs and markets and delivering workshops at weekends and evenings. Sophie took part in the Acorn Programme at York St John to develop her ideas and in February 2010 she handed in her notice in order to take her business to the next level with the York Cocoa House, opening her first office at the York Eco Centre.
62. She suggested to the Task Group that the development of small businesses is led by available space, and there is also a need to create a mechanism of support for new businesses. While she is grateful for CYC support with things such as business funding, alternative finance solutions and peer to peer lending, some other areas of advice are fragmented. She suggested:
 - A “fixer” who can help address problems and find solutions to issues around planning, licensing and environmental health at the same time.
 - A one-stop-shop for business support as so many alternatives have grown to fill the void left by Business Link.
 - Initiatives to develop networking, business-to-business mentoring and peer support to provide cross fertilisation of ideas with people who are further on in their careers.
63. A business is more likely to succeed if the idea is strong and Sophie’s view is that by sharing these ideas they will become a magnet for expertise and people willing to help. However, there was a tension between ideas being stolen and ideas being able to grow.

64. She also felt that York had many excellent businesses and industries but many were not acknowledged within the city. There was a need to identify home-grown talent and let them stand and develop on their own but providing a safety net when needed.
65. Her opinion is that the difference between businesses that succeed and those which fail is that the ones that succeed keep trying, but the risk culture is being suffocated. Rather than so much effort being put into risk analysis she felt more should go into opportunity analysis to stimulate business ideas. Entrepreneurs see their business development as a long-term plan and tend to pay themselves less in order to reinvest in the business.
66. The Hog and Apple, York started as a hog roast business which was conceived in late 2006 by Ged Dillon and a friend with a shared passion for good food. In the early days it was very much a weekend enterprise catering for a variety of social events with both partners continuing to work full time.
67. As The Hog and Apple evolved it moved into fine food catering and much of its current business involves providing a complete catering package for wedding receptions. Initially the preparation and much of the cooking was done in the kitchens at their homes. Ged later took full control of the business and went full time in April 2013 while his friend decided to stay in paid employment.
68. The Hog and Apple moved into a business unit in 2013 and was registered for VAT in August 2014. It currently employs chefs, kitchen and serving staff on a freelance basis but Ged will be employing a full-time chef in the near future and has been in talks about taking on an apprentice.
69. There were numerous obstacles to overcome in the early days of establishing the business, most significantly finding out who to contact for help and advice on a wide variety of issues such as:
 - tax;
 - legal matters;
 - health and safety;
 - insurance
 - accountancy;
 - public liability;
 - where to find staff;

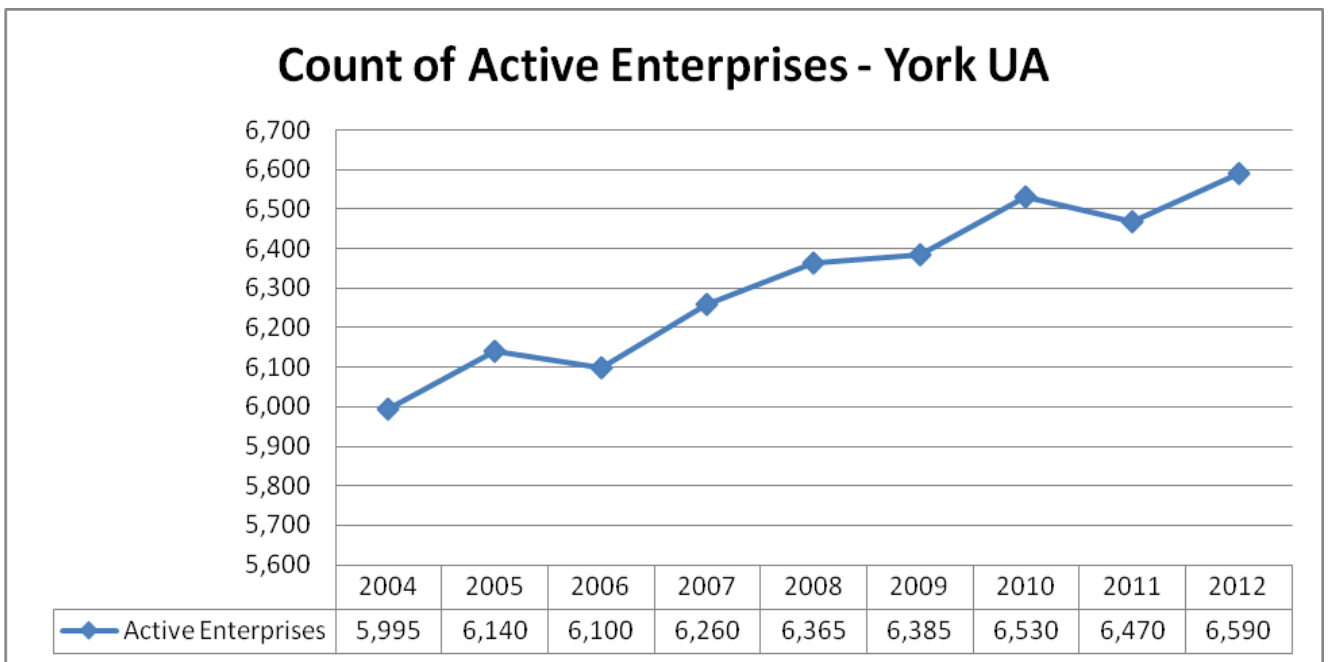
- how to go about training staff;
- claiming expenses
- tenancy advice;
- business rates for council tax.

70. He admits that in the early days he was working by trial and error and had to learn from his mistakes. He used the internet for information but soon realised the best source of advice was by talking to other business owners, many of whom had made a similar series of errors. He found that people who had set up in business were passionate about what they were doing and were only too willing to share their experiences.
71. Ged did not know what support was available from City of York council and while he was able to register online as a food business he did not find the Council website helpful and had difficulty contacting anyone from the Council by telephone.
72. To help start-up businesses Ged suggests some form of central monitoring system on the lines of the food business register. He suggests all new businesses should be registered with a Council support service complemented by one or two members of staff who can provide “on-the-spot” help and advice or signpost appropriate support.

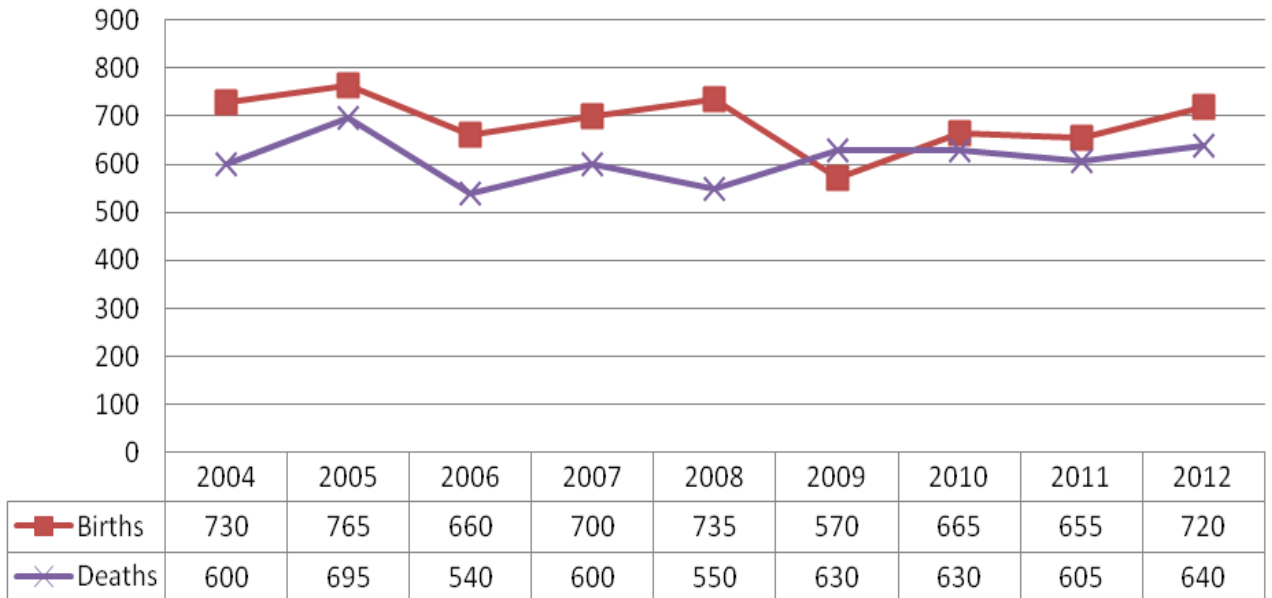
Business Demography

73. To help understand the success and failure rate of firms setting up in York the Task Group asked the CYC Performance and Innovation Team for measures to track the progress of businesses. The information below provides the latest and most accurate proxy measures although it does only include the number of VAT and PAYE based enterprises.
74. The Office for National Statistics provides the following annual figures in late November 2013: <http://www.ons.gov.uk/ons/rel/business-register/business-demography/2012/rft-business-demography-2012-tables.xls>
75. Active: The starting point for demography is the concept of a population of active businesses in a reference year (t). These are defined as businesses that had either turnover or employment at any time during the reference period. Births and deaths are then identified by comparing active populations for different years.

76. Births: A birth is identified as a business that was present in year t, but did not exist in year t-1 or t-2. Births are identified by making comparison of annual active population files and identifying those present in the latest file, but not the two previous ones.
77. Deaths: A death is defined as a business that was on the active file in year t, but was no longer present in the active file in t+1 and t+2. In order to provide an early estimate of deaths, an adjustment has been made to the latest two years deaths to allow for reactivations. These figures are provisional and subject to revision.
78. The following are the graphs that relate to York:

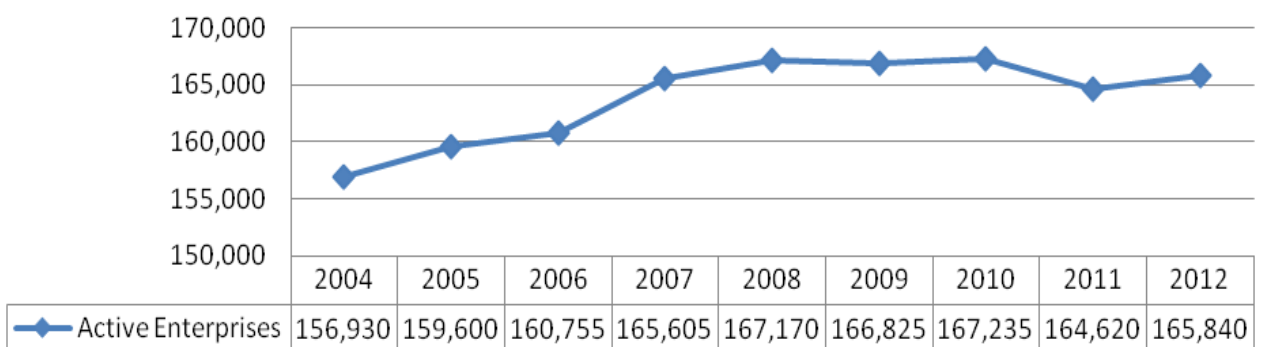


Business Births and Deaths - York UA

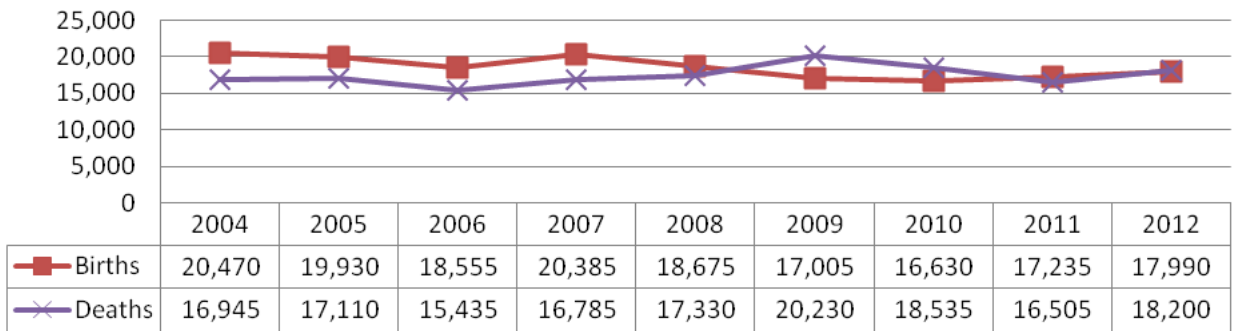


Regionally

Count of Active Enterprises - Yorkshire And The Humber Region

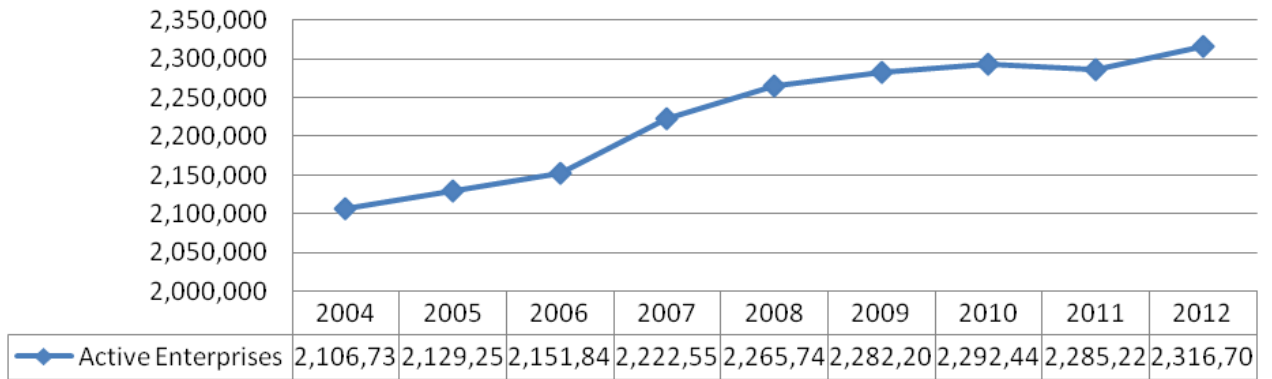


Business Births and Deaths - Yorkshire And The Humber Region

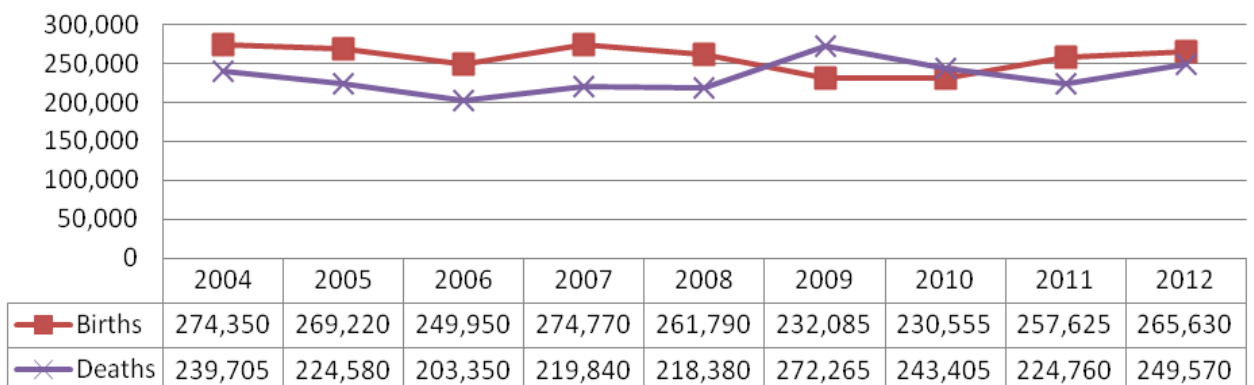


Nationally

Count of Active Enterprises - Great Britain



Business Births and Deaths - Great Britain



Growth Hubs

79. During discussions in September 2014 about simplifying access and information for new businesses the Task Group were told of Leeds City Region Enterprise Partnership plans to establish a regional growth hub (Annex 1).
80. A strategic priority of the growth hub is to “unlock the growth potential of business and enterprise” and to:
- Simplify and coordinate the landscape for business support;
 - Coordinate targeted support for innovation and high growth businesses;
 - Work with the private sector and other partners to support the potential of firms across all sectors to grow and adapt to changing and new markets.
81. Among the potential gaps in business support it identifies a single point of access for all business support i.e. a one-stop-shop for information on business support, business information and referral.
82. It identifies that the current business support landscape is crowded, confusing and uncoordinated and one of the principles of the hub is to make things easier for SMEs and intermediaries by bringing everything into one place.

Recent Developments

83. In August 2014 the Department for Business, Innovation and Skills (BIS) published a package of support making it easier for budding entrepreneurs to start up and grow a business from their home.
84. The measures were announced by Business Minister Matthew Hancock who noted in a Government release that around 70% of new businesses start off in the home, and the 2.9 million home-based businesses in the UK contribute £300 billion to the economy². As part of a long-term economic plan to back businesses, the government wants to make it much easier for people thinking of starting a home business to do so with the law firmly on their side. The new measures include:

² BIS Business Population Estimates and BIS Small Business Survey

- New legislation will make it easier for people to run a business from a rented home. The law will be changed so that landlords can be assured that agreeing to this will not undermine their residential tenancy agreement. A new model tenancy agreement will also be made available;
- Updated planning guidance makes it clear that planning permission should not normally be needed to run a business from your home:
- New business rates guidance clarifies that in the majority of cases home based businesses will not attract business rates.

85. By removing some of the red tape required to run a home business, the Government is hoping to create an increase in home-based entrepreneurs over the coming years.

86. Cllr Semlyen asked the Learning and Culture Overview and Scrutiny Committee to undertake a review in to entrepreneurship skills training in schools and colleges, which they agreed to as an adjunct to the careers scrutiny task force chaired by Cllr Scott. The Task Group has asked that ECDOSC receive a copy of the Learning and Culture OSC final report.

New Investment

87. Since the Task Group began its work a new development was announced that may help address the lack of a critical mass of graduate jobs (paragraph 27) in the region. In July 2014 York announced two major developments which will create hundreds of higher value jobs after winning millions of pounds in Government funding.

88. A food science campus off the A64 at Sand Hutton will mean 800 highly skilled and highly paid technical jobs while a bio hub at the University of York will host and support a range of high-tech industrial biochemical companies and create a further 500 high value jobs, although it is not known how many of these jobs will be for the people of York.

89. The new food science campus, to be built on the Food and Environment Research Agency (FERA) site, will be a base for research and product testing in the AgriFood and AgriTech industries.

90. There is also funding for:

- Biovale - £8m of new science facilities in York to provide a biotechnology 'innovation cluster,' which will help companies develop next generation biofuels, bio-waste processing and high value chemicals.
- Askham Bryan College, for a £1.6 million new state-of-the-art 'Agri-Tech' training Centre and Engineering Centre of Excellence

Analysis

91. In regard to the steady supply of higher education graduates from York's colleges and universities the Task Group were mindful of the lack of a critical mass of graduate jobs in the city. They noted that anecdotal evidence suggested that many who remain in the city after graduation take part-time or lower value jobs, which has a knock-on effect on York's labour market.
92. The Task Group acknowledged the City's track record in encouraging graduate start-ups, noting that many were not included in official statistics as they were below the VAT threshold, while others relocated relatively soon after start-up.
93. In regard to the business start-ups located at the Phoenix Centre at York St John University, the Task Group recognised that one of the challenges they faced was a lack of affordable follow-on space. Many of those graduates wanted to keep their fledgling businesses in or around the city centre because of its transport links and the availability of cafes where they often held meetings.
94. The total office stock in the city centre excluding business centres / services offices was 1,501,321 sq ft (May 2013 baseline). If a target were to be set, an appropriate level might be to increase this by 20% by 2020.
95. The Task Group were pleased to note that evidence gathered during the review suggested that those people who had started up in business were passionate about what they did and were happy to share their experiences with other start-up businesses.
96. Having considered the two case studies (paragraphs 60-65 and 66-72) and the evidence from the two entrepreneurs behind Catalyst IT Solutions (paragraph 32) the Task Group recognised the similarities in the issues new businesses faced even though their routes to start up came from different career backgrounds.

The Task Group acknowledged the feedback from them suggested they would have benefitted from mentoring opportunities and access to business-to-business support.

97. The Task Group also recognised that networking could help provide a fertile environment in which businesses thrive. Too often people developing their businesses were so focused on what they were doing they did not have time to share what they were doing with others. By sharing their ideas they could become a magnet to attract the expertise they needed to grow.
98. In recognising the void left by the loss of Business Link the Task Group acknowledged that experts in the public sector were not always best placed to advise the private sector. Task Group Members noted the view of businesses that the current approach was fragmented, making it more difficult to seek advice. The Task Group questioned whether this could be improved.
99. While accepting that experts in the public sector are not always best placed to advise the private sector Task Group Members agreed the Council could help facilitate information sharing, mentoring, business-to-business advice and networking opportunities.
100. A consistent message during the Task Group's investigations was the importance of having a single point of contact for new businesses. When businesses start up they often do not know where to go and from whom to seek advice and a single point of contact at an early stage would prove valuable. Businesses also felt they needed specific early help with networking and to be made more aware of networking events and opportunities.
101. The Task Group also recognised that with entrepreneurial students their ideas were usually very strong and a new business was more likely to survive if the idea was strong. Even so, they acknowledged that most students did not start a business on graduation. They, along with non-graduate entrepreneurs, were more likely to start a business at age 26 or 27 and graduates were more likely to start a business if they were first exposed to social enterprise.
102. Changing the sectoral composition of York's economy (paragraph 11) is fundamental to the ambition of improving its productivity and the value of jobs in the city. The decline in both is attributable to the decline of manufacturing jobs in the city from the 1990s.

This bears directly on the report's recommendations and setting a stretch target for the proportion of jobs in high value sectors such as professional, scientific and technical activities would measure directly the outcome the report is interested in.

103. Current forecasts reflected in the Local Plan from work done by Oxford Economics see a growth in employment in professional, scientific and technical activities of 1.2% by 2030. A target to increase the proportion of jobs in these categories by 5% by 2030 would reflect a significant shift in the structure of the economy. Interventions through the Local Growth Fund (in support of York Central, Biovale) and through Newco would support the achievement of this target.

Conclusions

104. There is a need to provide more affordable space in York in general and in the city centre in particular to provide suitable accommodation to allow start-up businesses to move on and grow.

105. New businesses would benefit from a more joined up approach to business support. While a whole host of advice services have grown to fill the void left by Business Link fledgling businesses would benefit from the creation of a mechanism of support for new businesses, a "one-stop-shop" where a series of potential problems can be addressed and solved at the same time.

106. For continuity this single point of access would best be served by appointing specific officers to the role with their contact details circulated on York Means Business and relevant Council and business partner websites.

107. New businesses would benefit from more mentoring and networking opportunities (paragraph 97). Regular networking with people in similar fields can lead to a cross fertilisation of business ideas and development (paragraphs 63 & 64).

108. Start-up business want simplified access to information held by the council on issues such as planning, licensing, environmental health etc (paragraphs 32, 62, 69 and 72).

109. The Task Group recognised that communication is an important element of developing business in the city and as such a comprehensive database and email list of all York business would be important for spreading the message of what is available and where.

110. Overall, while the Task Group welcomed the new investment coming to York and the higher value jobs it will create they would hope that those positions would prove suitable for people from York rather than being filled by graduates from elsewhere. This would free up part-time and lower value jobs for others in York's labour market.

111. Finally, there is a need to change the sectoral composition of York's economy to improve productivity and the value of jobs in the city.

Draft Review Recommendations

112. Having considered the evidence above, the Task Group recommends:

- i. That the Economic Development Unit, Newco and their partners bring forward innovative proposals to increase the amount of city centre space available for start-up and growing businesses in York by 20% by 2020, the amount of extra space to increase year on year and be reviewed annually;
- ii. That the Council look to establish a single point of contact for business advice and develop a communications strategy to more effectively inform business owners and new starters of the assistance the Council can provide by clearly signposting services and to examine how local banks, accountants and solicitors could be used to point people in the direction of the council and its partners for advice;
- iii. That named Council support officers responsible for liaison with start-up businesses are clearly identified on the York Means Business and other appropriate Council websites;
- iv. That the Council and its partners work to increase business-to-business mentoring, peer support and networking opportunities for small businesses and the named contacts in Recommendation iii) be responsible for facilitating networking opportunities.

- v. That ECDOSC receives reports within six months on the outcomes of the support being provided to new local businesses by the Council.
- vi. That interventions through the Local Growth Fund and Newco support an increase of 5% in employment in professional, scientific and technical activities by 2030.
- vii. That the Council construct a comprehensive database and e-list of businesses in the city;
- viii. That existing education providers be encouraged to step up provision of business plan writing so people can be coached to develop business plans;
- ix. That the University of York be urged to:
 - Reallocate University car parking to improve access and increase the attractiveness to visitors to the Ron Cooke Hub, subject to planning restrictions;
 - Make more in its prospectus that the university does not claim the intellectual property rights to undergraduate ideas.

Council Plan

113. This review is linked to the create jobs and grow the economy element of the Council Plan 2011-15.

Implications

114. At the time of undertaking this review it was acknowledged many of the recommendations would fall within the purview of the newly formed Newco (now named Make It York). Any resource implications falling on the Council will need to be addressed once the specific role of Newco and the Council within it, has been established.

- **Financial** – the Council funds the EDU team and has a number of priorities to deliver. If it concentrates on one area that will impact on other business. Recommendations iv) and vii) will come at a cost but it has not been determined what these cost will be.

- **Human Resources** – resource wise the Economic Development Unit are already stretched so there are limitations to the level of intervention available. CYC will aim to include these aims and recommendations in the Newco contract but the ability to deliver them will be subject to the level of resources made available to Newco. This contract with and resources going to Newco are subject to a further report to Cabinet.
- **Equalities** – there are no equalities implications.
- **Legal** – there are no legal implications at this stage.
- **Crime and Disorder** – there are no crime and disorder implications.
- **Information Technology** – there are no direct IT implications.
- **Property** – there are no property implications.
- **Other** – there are no other implications at this stage

Risk Management

115. There are no known risks arising from the report. However, there is a risk to the economic development of York if nothing is done to arrest the migration of graduates and graduate start-up businesses away from the city.

Recommendations

116. Having considered the information contained within this report, Members are asked to:

- i. Note the report and agree any final changes required;
- ii. Consider the draft review recommendations shown in paragraph 112, and identify any amendments and / or additional recommendations required.

Reason: To conclude the work on this scrutiny review in order that the draft final report can be presented to Cabinet.

Contact Details

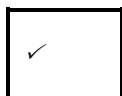
Author:

Steve Entwistle
Scrutiny Officer
Tel: 01904 554279
steven.entwistle@york.gov.uk

Chief Officer Responsible for the report:

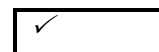
Andrew Docherty
Assistant Director Governance and ICT
Tel: 01904 551004

Report Approved



Date 29/12/2014

All



Wards Affected:

For further information please contact the author of the report

Annexes

Annex A – Leeds City Region Local Enterprise Partnership Business Growth Hub

Annex B – Outcome measures

Abbreviations

CYC – City of York Council
ECDOSC – Economic & City Overview & Scrutiny Committee
FERA – Food & Environment Research Agency
FTE – Full Time Equivalent
GDP – Gross Domestic Product
GVA – Gross Value Added
IT – Information Technology
PAYE – Pay As You Earn
SCY – Science City York
SME – Small & Medium Enterprise
TBM – The Beautiful Meme
VAT – Value Added Tax