

Notice of a public

**Decision Session - Executive Member for Economic Development
and Community Engagement**

To: Councillor Aspden (Executive Member)

Date: Tuesday, 6 November 2018

Time: 2.00 pm

Venue: The Thornton Room - Ground Floor, West Offices (G039)

AGENDA

Notice to Members – Post Decision Calling In:

Members are reminded that, should they wish to call in any item* on this agenda, notice must be given to Democracy Support Group by:

4.00pm on Thursday 8 November 2018 if an item is called in *after* a decision has been taken.

*With the exception of matters that have been subject of a previous call in, require Full Council approval or are urgent which are not subject to the call-in provisions. Any called in items will be considered by the Customer and Corporate Services Scrutiny Management Committee.

Written representations in respect of items on this agenda should be submitted to Democracy Support Group by **5.00pm on Friday 2 November 2018**

1. **Declarations of Interest**

At this point in the meeting, the Executive Member is asked to declare:

- any personal interests not included on the Register of Interests
- any prejudicial interests or
- any disclosable pecuniary interests

which they may have in respect of business on this agenda.

2. **Minutes**

(Pages 1 - 2)

To approve and sign the minutes of the meeting held on 23 July 2018.

3. **Public Participation**

At this point in the meeting, members of the public who have registered to speak can do so. The deadline for registering is **5.00pm on Monday 5 November 2018**. Members of the public can speak on agenda items or matters within the Executive Member's remit.

To register to speak please contact the Democracy Officer for the meeting, on the details at the foot of the agenda.

Filming, Recording or Webcasting Meetings

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Residents are welcome to photograph, film or record Councillors and Officers at all meetings open to the press and public. This includes the use of social media reporting, i.e. tweeting. Anyone wishing to film, record or take photos at any public meeting should contact the Democracy Officer (contact details are at the foot of this agenda) in advance of the meeting.

The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at https://www.york.gov.uk/downloads/file/11406/protocol_for_webcasting_filming_and_recording_of_council_meetings_20160809

4. **York's City Centre Economy** (Pages 3 - 16)

This report summarises current understanding of the City Centre economy, progress to date in addressing current challenges, and then considers options available for short and medium term measures to support sustainable growth in the economy, with a particular emphasis on retail and the city centre.

5. **Urgent Business**

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer

Angela Bielby

Contact details:

- Telephone – (01904) 552599
- Email a.bielby@york.gov.uk

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting

- Registering to speak
- Written Representations
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above

This information can be provided in your own language.

我們也用您們的語言提供這個信息 (Cantonese)

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)

Ta informacja może być dostarczona w twoim własnym języku. (Polish)

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جاسکتی ہیں۔ (Urdu)

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City of York Council

Committee Minutes

Meeting	Decision Session - Executive Member for Economic Development and Community Engagement
Date	23 July 2018
Present	Councillor Aspden

5. DECLARATIONS OF INTEREST

The Executive Member was asked to declare any personal interests not included on the Register of Interests, or any prejudicial or disclosable pecuniary interests that he might have in respect of the business on the agenda. None were declared.

6. MINUTES

Resolved: That the minutes of the last Decision Session held on 3 July 2018 be approved as a correct record and signed by the Executive Member.

7. PUBLIC PARTICIPATION

It was reported that there had been no registrations to speak under the Council's Public Participation Scheme.

8. ECONOMIC STRATEGY REVIEW

The Executive Member considered a report which set out a proposed timeline and outline process to review the economic climate, consider the challenges which York faced as city, and to enable the development of a refreshed Economic Strategy as an early priority in the 2019/20 work programme.

The Head of Economic Growth outlined the current strategic economic context and updated the Executive Member on the progress against the York Economic Strategy priorities, focussing on the 8 essential 'to-dos' of the current Economic

Strategy of which four of the priorities were progressing well and assessed green, with the remaining four were underway, but progressing more slowly and assessed amber.

He advised that the current Economic Strategy was for the period 2016-2020, with its sister document, the York Skills Plan, covering 2017-2020. Therefore, a new strategy would be needed for 2020 onwards, with drafting taking place in 2019, with an opportunity to bring economic development and skills together into a single framework. He then gave an overview of the outlined process for the development of an Economic Strategy, as detailed in paragraphs 35 to 41 in the report.

In response to questions from the Executive Member, the Head of Economic Growth noted that:

- The Economic Strategy conference would link into York Business Week which would take place from 12 -19 November 2018.
- As the position with Brexit became clearer, this would form part of the work in preparation for York Business Week and as part of City of York Council (CYC) being a business friendly council.
- The use of the communication channel through Make it York (MiY) would enable CYC to consult with businesses on the challenges around Brexit.

Resolved: That the proposed process for reviewing and refreshing the Economic Strategy as set out in the report be agreed.

Reason: To ensure that the City's economic strategy reflects the current policy environment and that we can fully contribute to the development of Local Industrial Strategies by our LEPs.

Cllr K Aspden, Executive Member

[The meeting started at 5.00 pm and finished at 5.15 pm].



**Decision Session - Executive Member for
Economic Development and Community
Engagement**

6 November 2018

Report of the Head of Economic Growth

York's City Centre Economy

Summary

1. York's city centre is weathering the storm which is affecting high street retail across the western world. In overall terms, shop vacancies are half the national average. A recent study by Centre for Cities with Capita shows York as having the second lowest vacancy rate of all English cities, behind only Cambridge.¹
2. However, the pace of change is accelerating and there is a growing need for the city to understand what might be over the horizon and to consider how it might best adapt to be ready for the future. We need to understand whether any specific areas of the city are at particular risk from further retail closures, with shop vacancies currently visible on Coney Street and Goodramgate. For the city centre, the balance between serving York residents and the visitor economy appears to be shifting, but we do not have sufficient evidence to underpin policy development.
3. City of York Council (CYC) has been working with Make it York, York Business Improvement District (BID) and York Retail Forum to coordinate approaches to the city centre and find solutions to short term issues such as vacancies on Coney Street. Make It York have approached a number of retailers known to be looking to open stores to promote York as a potential location, gaining useful insight.
4. Economy and Place Scrutiny Committee has begun an enquiry into the city centre economy, reviewing recent activity and looking at the most

¹ Building Blocks: the role of commercial space in Local Industrial Strategies, Centre for Cities 2018 and associated data tool on Centre for Cities website <http://www.centreforcities.org/multimedia/building-blocks-data-by-city/>

visible aspects of change to the retailing environment. This work will conclude early in 2019.

5. This report summarises our current understanding of the City Centre economy, progress to date in addressing current challenges, and then considers options available for short and medium term measures to support sustainable growth in the economy, with a particular emphasis on retail and the city centre.

Recommendations

6. The Executive Member is asked to consider:

- 1) Instructing the Head of Economic Growth to bring back a report outlining the impact of Business Rates on retailers in the city centre and options to mitigate that impact, if appropriate.

Reason: To support the City Centre Economy

- 2) Instructing the Head of Economic Growth to widen the remit of research approved through the Secondary Retail areas funding agreed in June 2018 to cover the city centre, neighbourhood shopping areas and out-of-town retail.

Reason: To support economic growth across the city

- 3) Instructing the Head of Economic Growth to explore options to reduce the occupancy costs and environmental impact of our retail portfolio through the use of low energy lighting and heating and the installation of low-carbon energy systems, and to bring back costed proposals for the 2019-20 budget.

Reason: To support the city centre economy

- 4) Instructing the Head of Economic Growth to bring forward costed proposals which would support the development of traders' associations and the broader network of independent traders across the city, and explore the potential for York to make an application as a city to the High Street of the Year awards for 2019.

Reason: To support the independent traders as a sector, ensuring the vibrancy of our city centre offer.

- 5) Instructing the Head of Economic Growth to make arrangements to pass the surplus Christmas decorations that the Council holds to

Acomb Alive and Haxby Town Council to enhance their local decorations.

Reason: To further support the vibrancy of our Secondary Retail areas.

Background

Employment in York city centre

7. In 2016, there was a total of 20,500 people employed in York city centre, around 18% of all jobs in the city. Over the past 15 years, a net 4,250 jobs have been lost from the city centre, although the overall total number of jobs in the city was static. Public administration was the biggest loser among sectors in that period, with over 1,700 jobs lost, 50% of the 2003 total. Retail was the second biggest loser, with a 20% reduction in employment and 1,100 jobs lost. In the same period, employment in the food and drink service sector increased by over 1,000, a 40% gain, while the cultural and creative sectors gained a total of 800 jobs, a remarkable 700% increase.
8. What we see is a pattern of retail space being converted to bars and restaurants, public sector employment declining significantly, in part through transferring employment to independent trusts in the creative and cultural sector, and a general reduction in office based jobs as premises undergo change of use to hotels and residential.

Visitor numbers and tourism

9. The latest Visit York figures show a total of 6.9m visitors to the city per annum, spending a combined £564m in York. Over the past 5 years, the total number of visitors has increased by nearly 500,000 and total spend is up by over £100m. The York Tourism Strategy, which is due to be reviewed by the new Head of Visit York, sets a target for the sector to become a £1bn contributor to the York economy.
10. Visit Britain's International Passenger² survey shows a growing number of international visitors to Yorkshire in 2018, despite an overall decrease to the UK as a whole. Detailed figures for York are not yet available, but are expected to show a similar trend, with a growing number of international visitors who are spending more money in the city. The vast majority of visitors to York come from elsewhere in the UK.

² See <https://www.visitbritain.org/latest-quarterly-data-area> and <https://industry.yorkshire.com/media/58198/press-release-record-visitor-numbers.pdf>

Recent York retail studies

11. To prepare for the development of previous versions of the Local Plan, in-depth studies of York's retail sector were prepared by Deloitte (2014), WYG (2013), GVA (2008), Roger Tym & Partner (2004), and CB Hillier Parker (2001). These reports document a changing retail landscape over the past 17 years, with the predominant themes being:
 - the mix of food, comparison goods and leisure uses,
 - the rise of Leeds as a regional retail hub and the decline of smaller centres as retail locations,
 - York's tourism offer and its attraction to retail, and
 - the growth of out-of-town centres.
12. In the 2008 study, which focussed on recommendations for the then plans for Castle Piccadilly, the main emphasis was on the role of department stores, the need for modern retail units to compete with other cities, and the extent to which York residents were shopping in other centres. There was no recognition of the imminent growth in online retailing and the impact that this would have on the high street. In the 2014 Deloitte study, the threat of online is touched upon, with a forecast that 20% of all purchases would be online by 2028. The speed of change and the challenges in forecasting are clearly demonstrated here – 20% of purchases were online for the first time in November 2017, 11 years earlier than was forecast.
13. While these reports provide useful accounts of the health of retailing across York, they have been less helpful in predicting what might be needed in terms of space and infrastructure to support the city centre as a future retail environment. Developing better intelligence on the impact of global trends on York's city centre is a current priority for the Economic Growth Team.

Centre for Cities – Building Blocks report

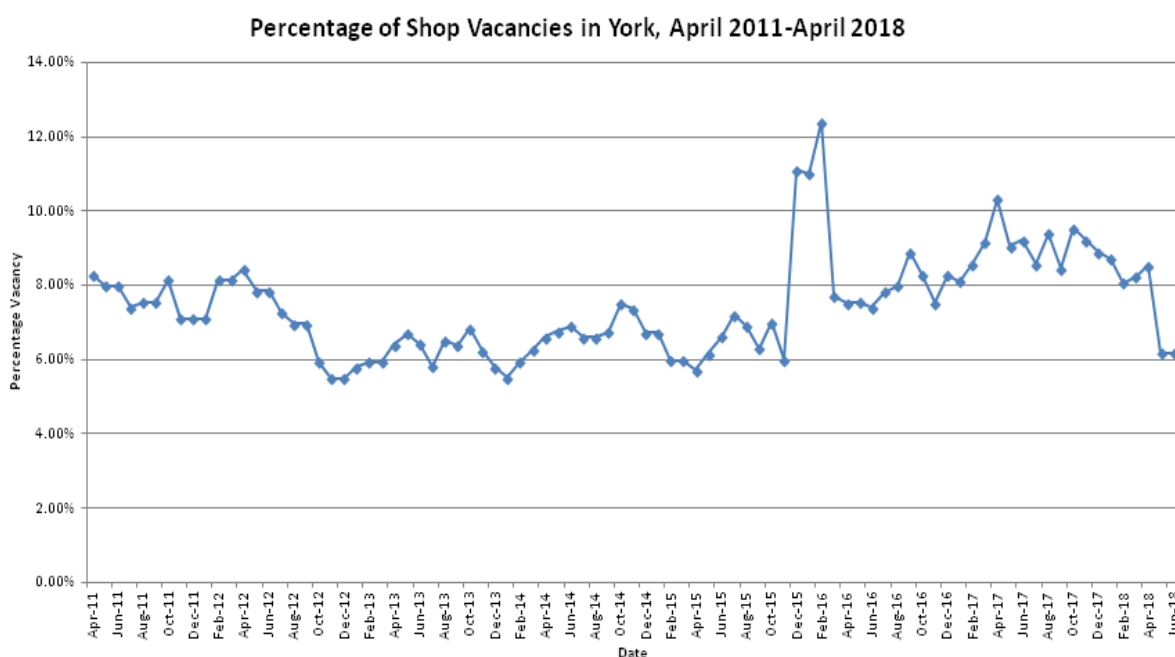
14. The influential think tank Centre for Cities recently published a report on the role of commercial space in shaping city centre economies. The report used rates data to look at the mix of retail, office, food and leisure, industrial, warehouse and other uses in cities, drawing conclusions about the best mix to support a thriving retail offer. On the basis of cities such as Manchester, Leeds and Nottingham, the report suggests that “the strongest city centres have a large share of office space compared to

other types of commercial property. This office space tends to be of higher quality, and these city centres tend to have a lower share of high street vacancies. This is because the office space leads to footfall on the high street.”

15. However, the report and its associated data set shows that the two cities with the lowest vacancy rates are Cambridge (6.92%) and York (7.03%), with city centre economies driven by tourism rather than office occupancy. In York, 50% of our city centre commercial space is retail (41%) or food and leisure (9%), supported by 28% office space which is a higher percentage than the national average.
16. This mix demonstrates the challenges that our city centre faces. As our Economic Strategy recognises, York has high levels of employment in lower paid work such as retail, food and leisure, and tourism. To make housing in the city more affordable for residents, we need to grow more high paid jobs and support lower paid industries to be commercially successful so that they can increase pay. Although we do have a Skills Plan, the York Economic Strategy currently focuses on growing more jobs in better paid industries, while our city centre economy is driven by tourism, retail, food and leisure.

Vacant premises in York City Centre

17. Despite recent headlines and the very noticeable cluster of vacancies in Coney Street, York has the second lowest vacancy rate of all UK cities. Looking at the vacancy rate recorded by our Business Rates team over the past 7 years, the level of shop vacancies is currently lower than it has been for the last 3 years. There are however two areas – Coney Street and Goodramgate – where vacancies are clustered.



18. Coney Street is our classic high street with large big-name shops and the highest rents as demonstrated in the rent hot spot map from the Deloitte 2013 report. Much of the street is owned by pension funds and corporate landlords as part of large portfolio holdings, meaning that ownership is remote and unresponsive. The public realm is difficult, with a tall, narrow street which needs to accommodate delivery lorries and is thus hard to turn over to street cafes and other leisure uses. The rental market is currently adjusting to a series of renegotiations locally and nationally which are forcing down rents.

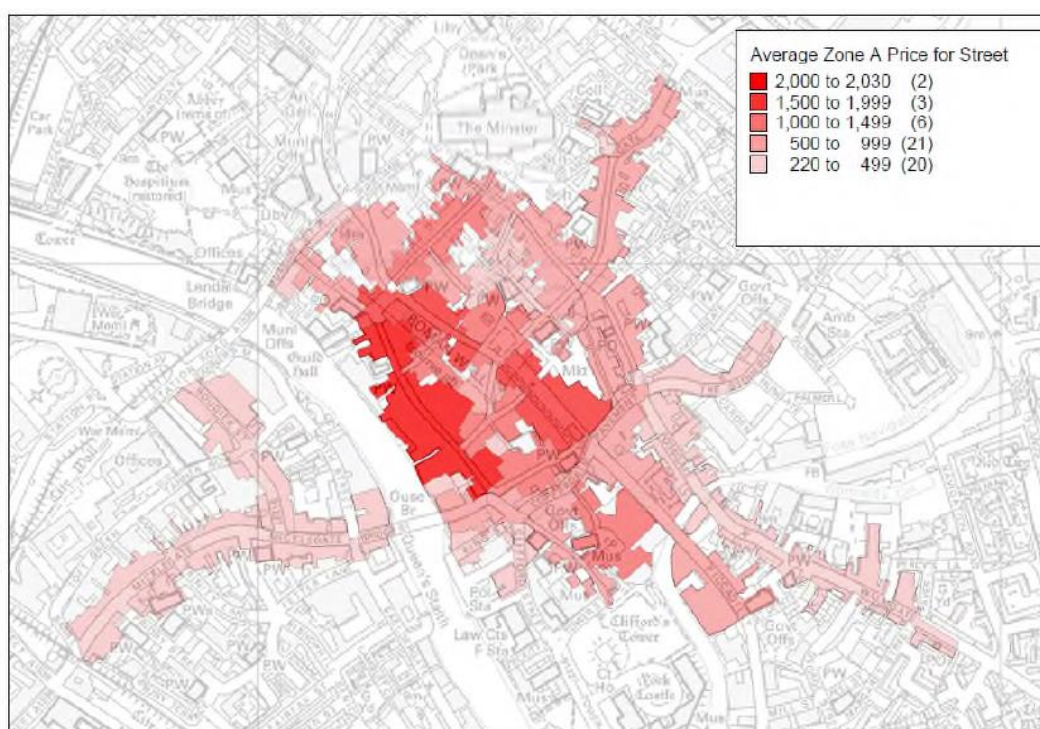


Figure 3: Heat map of Rent in York

19. In Goodramgate, rents are approximately 1/3 of the per sq ft rates in Coney Street, and the street is on the edge of the core retail area. There are also problems with public realm, including the need to provide car access for disabled parking, and there is a cluster of vacant shops. There is probably more scope for intervention here, and there are some encouraging signs, including the establishment of an independent traders group and some new occupiers.
20. In terms of our own retail portfolio, there are currently no city centre vacancies. The recent purchase of Back Swinegate is providing a good return, and there is clearly an option, funding permitting, to extend Council ownership to both generate further rental income and provide more options for regeneration. As a city centre landlord, we have some scope to provide a lead to other property owners, exploring options

which would make the costs of occupancy lower and thus support profitability.

Make It York: Pro-Active Retail Development

21. Over the past 2 years, Make It York has been actively promoting York as a city for new, contemporary retailers. Retailers who are in other cities, but not in York, are identified, researched and then an email or letter is sent to the leader of the business with an accompanying booklet setting out the city's retail offer and strengths. Over 80 retailers have been approached in this way including contemporary brands such as India Jane, Camper Shoes, and BoConcept. Ikea have also been approached after their recent announcement that they were looking to develop a High Street offer.
22. Feedback from these approaches has been limited, a reflection of the complex web of agents, consultants and landlords who get involved with decisions on retail development. It is though important that York is consistently pushed as a retail city and the hope is that this speculative communication has some long-term impact.
23. This work has now gone a stage further. In July, Make It York subscribed to a database facility, the 'Retail Requirement List': www.therequirementlist.com . This database gives a monthly summary of retailers and leisure operators who have declared that they are interested in a particular city. For example, in August there was a list of 56 companies with an interest in York. This was a mix of retail, cafes, restaurants and a hotel chain.
24. One of Make It York's business team is now deputed to contact the agent of every one of the companies with an active interest in York. The agents are offered support and access to Make It York's database of available property. Reports are sent out and it is clear that there is direct help available from the city should speculative interest turn into something more tangible. The experience so far suggests that many companies are interested in York but struggle to find properties that meet their needs (in terms of space and price) and there is a growing demand for short-term and 'pop-up' space.
25. This initiative is not going to solve York's retail aspirations. It is though pro-active, provides a positive, responsive service and is an important aspect of the co-ordinated effort that the city needs to persevere with.

26. A monthly report on this activity is now produced and is discussed and reviewed at the monthly meeting of the retail group, consisting of CYC, Make It York, the BID and the retail forum.

Business Rates

27. Much has been made of the cost of business rates for city centre retailers, and current campaigns by retailers and politicians are promoting a fundamental review of the rates system. This is currently based on the notional rental cost of premises, providing significant financial challenges for shopkeepers in the city centre. The way that rates are calculated means that they can add nearly 50% to the cost of premises – the rates on a shop with rental costs of £50,000 would be around £22,000 to £24,000 depending on the tenant, equivalent to the costs of a member of staff.
28. Although business rate bills are sent out by local authorities, who also collect the charge, the amounts that are levied are set nationally by the Government's Valuation Office Agency and Ministry of Housing, Communities & Local Government (MHCLG). Having collected the rates, local authorities then pass that money on to Government. In recent years, it has been signalled that some of the income from rates might be retained by local authorities, with this funding replacing the current Revenue Support Grant model as a way of national Government providing finances for local government. While local authorities have powers to award discretionary rates relief through local policies, there is a direct impact from this approach on general funding to deliver Council services.
29. The impact of providing rates relief in York City Centre is thus two-fold. On the one hand, rates are cited as a significant cost which is undermining profitability for local businesses, while any decrease in the amounts levied have an effect on the availability of revenue funds for the Council. A more detailed analysis of the impact of such relief would be helpful in creating a better understanding of the potential impacts for both retailers and the Council.

Public Realm

30. The city centre environment plays a significant role in the experience that shoppers and visitors have when they come to the City Centre. In terms of Council ownership of land beyond our relatively small portfolio of shops and offices, it is the roads and open spaces such as Parliament Street and St Sampson's Square where we can have a direct influence.

31. Current work to make the City Centre more secure by restricting access is a clear priority, but retailers and visitors will need to be consulted on an ongoing basis. As part of this work, plans are being developed for a My City Centre engagement initiative which will, if funding is agreed as part of the annual budget process, enable widespread engagement with all stakeholders.
32. The emergence of York BID has had a significant positive effect on many aspects of the City Centre, not least in terms of street cleaning and Christmas decorations and lights. The BID have purchased and installed a series of lights across the area, most noticeably on the main entrances at Monk Bar, Bootham Bar and Micklegate Bar. One consequence of the new approach to seasonal lighting of the city centre is that the Council has some surplus decorations which are now in storage. There would be considerable merit in finding a way of reusing these lights elsewhere in the city to extend our support for retail areas.

Independent traders

33. Independent traders – defined as those with 5 or fewer outlets – are a strong component of the York retail offer. Their importance is underlined in the York Economic Strategy, which stresses “rolling out the Bishy Road effect” as a key objective. Bishopthorpe Road was awarded the prestigious High Street of the Year award in 2017, recognising the work that local traders have undertaken over several years to set up a traders’ association and run a series of collective events which publicise their businesses and draw footfall to their area.
34. Building on this initiative, a series of traders’ associations have been established across the city. There are now more than a dozen such groups covering a diverse range of areas including Micklegate, Fossgate, Gillygate, the Minster Quarter, and Acomb. Work is currently underway in Haxby to support the development of a new traders’ association, and the model is emerging as a distinctive York approach to supporting independent traders.
35. The Indie York campaign works with all of these traders’ groups and seek to promote the sector as a whole through its website and a printed map showing the locations of more than 100 independent retails across York. The network could achieve more if it had the resources to employ a coordinator, rather than relying entirely on the voluntary effort of members.

Consultation

36. There is regular consultation around the city centre economy with key bodies including Make It York, York BID, York Retail Forum and Indie York. The issues raised in this paper have been discussed with those organisations, and all are in agreement with the analysis presented.
37. Economy & Place Scrutiny Committee are currently running a short enquiry into the city centre economy and have also discussed the issues raised here.
38. Economy & Place Policy Development Committee have focussed on secondary shopping areas and are supportive of the approach taken there.
39. A much wider public consultation is proposed through the My City Centre initiative which is being taken as a proposal through the current budget round and will be considered by the Council in February 2019.

Options

40. As this paper makes clear, while there is widespread agreement that York's City Centre is in a state of flux, there are several key issues for which the evidence base is currently lacking key information. Rather than bringing forward immediate proposals to seek to tackle the perceived problems of the city centre, a clear option would be to undertake a range of studies through the Council's Economic Growth Team or external research and consultancy. To summarise:
 - Retail environment: while there is a substantial corpus of planning studies considering City Centre issues, the most recent study is from 2014 and is already clearly out-of-date. Research which explores the global trends of retail and considers how these might influence our city centre, our secondary retail areas, our neighbourhood shopping offer and out-of-town retail sites is clearly needed.
 - Business Rates: calls for the Council to use its discretionary powers to support city centre retail are increasing, while rates are of growing importance as an income stream for the Authority. We need to better understand the impact of Business Rates on the retail sector and consider what scope there is to provide relief without having a significant impact on the funding of front line services across the city.

- As a landlord, the Council has a small portfolio in the city centre, with no current vacancies. However there may be potential to support tenants in work which reduces their costs while having a positive impact on the environment through bringing in new technology in lighting, heating and energy. Further study is needed of the potential here.
- The growth of traders' associations and independent retailers is a very positive trend for the city. The development of funded measures which would further incentivise expansion would be helpful.

41. Alternatively, the development of the city centre could simply be left to market forces, with intervention being restricted to the case-by-case consideration of planning applications and the undertaking of public realm work where it is needed for public safety.
42. For the surplus Christmas lights identified above, there are three options. We could keep them in storage in case they are needed in future, we could dispose of them as surplus to requirements, or we could pass them on to local organisations in other retail areas where they might be used.

Analysis

43. A do-nothing approach on the City Centre Economy would be low-cost in the short term, but risks the need for substantial future investment to address changes in the retail environment. While we currently have a very low vacancy rate compared to national trends, there is a risk that our city centre begins to decline significantly as a retail location. The reputation of York as a vibrant economy would be undermined, with potential broader impacts on employment and growth in the city.
44. Undertaking the research options outlined above would put the Council in a stronger position to determine next steps in preparing the city centre for future years. While these studies would not be without cost, the work could be undertaken by existing staff and through existing budgets.
45. For the surplus Christmas lights, the challenge is to utilise these assets without adding revenue costs to the Council. Ensuring that they are safe and fit for purpose, and then passing them to Acomb Alive and Haxby Town Council for use in our secondary shopping areas would provide such a solution.

Council Plan

46. These proposals support the Council Plan approach to building a prosperous city for all and the York Economic Strategy's objectives to support growth in the economy.

Implications

47. This report has the following implications:
- **Financial** - There are no financial implications at this stage.
 - **Human Resources (HR)** - There are no HR implications.
 - **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 (IT)** - There are no IT implications.
 - **Property** - There are no property implications at this stage.

The recommendations above would have potential financial, legal and property implications, which would be addressed at the next stage in development when proposals would be brought back to the Executive Member for Economic Development and Community Engagement.

Risk Management

48. There are no known risks at this stage.

Conclusions

49. York's city centre economy is undergoing significant changes, but remains in overall good health. The key priority for City of York Council is to better understand how further changes might impact on the city centre and how the Council might influence change to support the growth of our economy.

Contact Details

Author:

Simon Brereton

Head of Economic Growth

Tel: 01904 552814

simon.brereton@york.gov.uk

Chief Officer Responsible for the report:

Neil Ferris

Corporate Director – Economy & Place

Tel: 01904 551448

Report Approved **Date** 26/10/2018

Wards Affected:

All

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