
Economic Development Partnership Board

13th March 2007

Report of the Director of City Strategy

PROGRESS ON KEY ISSUES

Summary

1. The report picks up on any matters arising from the last meeting of the Board and briefs Board members on issues/progress in other areas of economic development activity.

Background

2. This is the progress on key issues report which is given at every Economic Development Partnership Board to update members on projects and to answer any matters arising from the previous meeting.

Consultation

3. The report is being provided for information and there are no recommendations with financial consequences. There is no consultation necessary for this report.

Options

4. This report is for information only and therefore does not present options for decisions by Board members. Where decisions are necessary specific reports on those issues and options will be presented. However, Board members are invited to comment on the information provided.

Analysis

5. As stated in the paragraph above, options have not been presented therefore there is no need for appraisals.

Corporate Priorities

6. All the projects reported on in this report are firmly embedded within the Council's corporate objectives, The Economic Development Service Plan and the Without Walls initiatives.

- * The "Thriving City" theme of the WOW Community Plan has the following strategic objective:

"To support the progress and success of York's existing businesses and to encourage new enterprises in order to maintain a prosperous and flourishing economy that will sustain high employment rates."

- * The Economic Development Service Plan sets identifies a number of corporate priorities:
- DIP 5 Increase people's skills and knowledge to improve future employment prospects.
 - DIP 6 Improve the contribution that Science City York makes to economic prosperity.
 - DIP 8 Improve the life chances of the most disadvantaged and disaffected children, young people and families in the city.
 - DIP12 Improve the way the Council and its partners work together to deliver better services for the people who live in York.

Implications

7. As this is a general report on the progress of key issues there are no Financial, HR, Equalities, Legal, Crime and Disorder, IT, Property or Other implications. Any significant implications to the economic programme will be brought to the Board through a separate issue-specific report.

Matters Arising

8. There are no matters arising.

Tourism

9. The final draft of the Area Tourism Strategy for York is featured elsewhere on this agenda. A Task and Finish Group, including representation from City of York Council, York Tourism Bureau, York Hospitality Association, Yorkshire Forward and Yorkshire Tourist Board has been meeting to discuss closer working arrangements between the current First Stop York tourism partners, with a view to establishing a potential single organisation for tourism in York, possibly by April 2008. This new body will seek to build on the achievements of the First Stop York tourism partnership in such areas as marketing and promotion, development of the quality of the product, improved market intelligence, better visitor information service provision etc – whilst at the same time safeguarding and ultimately growing the scale of private and public sector investment in tourism activity. Establishing a new and improved organisation requires discussion of issues concerning governance, staffing and structures, funding and outputs, operational relationships and communications of activities to the tourism sector in York. Progress is being made on a number of these issues.
10. In the meantime the current partnership continues to develop new and improved activities, with additional support from Yorkshire Forward, which has pledged £666,700 of support to the Partnership for a combination of organisational and structural change, and enhanced investment in marketing, market research and product development activity. This investment (of which £221.7K has been available in 2006-07) has supported such activity as:
- The Illuminating York project, promoting a series of events particularly in December and January to use light and innovation to give a contemporary

spin to York's historic urban environment. The showpiece Recovered Light projection in College Green, projecting features of 117 stained glass panels hidden under the scaffolding of the Minster attracted national press coverage and visitors from all parts of the UK in York's traditionally quietest month, while the LUX trail of artworks in Micklegate, created by graduates and students of St John's University, helped to animate this street, and was well-received by the retailers who showcased this work in their shop windows, and by the churches.

- Gourmet Yorkshire – a calendar and website which uses the connections from the showpiece York Festival of Food and Drink to highlight to visitors York's gateway role to many food and drink facilities and services in the North Yorkshire and Yorkshire region.
- Market Research – many additional market research projects have been established, looking at benchmarking (comparing York's tourism offer and services with those of other historic towns in England – including Bath, Chester, Salisbury, Durham, Oxford, Stratford-upon-Avon and Windsor), conference research, the Festival of Food and Drink and evening economy research – all designed to ensure that future marketing and events campaigns in the key target markets are based around the best possible knowledge of potential consumer response. The results of this research are very encouraging - York is really popular and well-regarded by visitors. Current visitors are loyal (76% of them have been to York before), and very enthusiastic about York. The benchmarking research shows that a much higher proportion of York's visitors enjoy the city "very highly" (60%), compared to the average response across all historic towns (36%). The most positive responses have been those rating "very highly" the range of attractions (74%), nightlife (69%), shops (68%) and places to eat and drink (61%), as well as the usefulness of the Tourist Information Centres (63%) - in each case much higher scores than the average for historic towns. The only areas where trends have not been positive have been on the value for money of accommodation (36% cf the average score of 43%), and the cost of parking (5% cf 13%). The overall very positive feeling has clearly encouraged visitors to spend more time and money in York - there's been a 52% increase in visitor spending from 1993-2005
- The "history of York" – this is a website being developed by York Museums Trust linked to images and maps of the city through the ages, as well as a narrative history. This will ultimately present the most comprehensive on-line history of the city, with the option to build from this a visitor attraction of an AV presentation in one of the Trust's properties.
- The al fresco cinema in College Green last September, where nearly a thousand people enjoyed two films shown on the scaffolding of the East front restoration at the Minster, thereby bringing many more people into the city in the evening, and stimulating the evening economy.
- Enhanced marketing activity. This has included more conference marketing activity, including an enhanced presence at UK and European business shows, and a new PR campaign which is showcasing Cultural York – highlighting cultural events (music, lighting, film and art), visitor attractions and galleries which reflect York's vibrancy and high-quality appeal.

- The Leeds-Bradford Airport express coach service. After long discussions facilitated by City of York Council, First Group is starting, from 26 February, an hourly express coach to and from York railway station and Leeds-Bradford international Airport. The service, yorkaircoach.com, runs from York from 0445 with the last service from the airport to York at 2400. The Yorkshire Forward support is being used on foreign language translations of key sections of the main tourism print material and website to help attract foreign visitors to York. With a substantial increase in the number of scheduled services and destinations supported by Leeds Bradford Airport, the widening of Jet2's operations from there and on-flight survey information showing that 35-40% of passengers on key European flights are European customers (rather than purely UK customers going back and forth), there is great potential for York in attracting more European visitors.
11. Core activity through the partnership continues. This work has included, since the last Economic Development Partnership Board, a number of York's most popular annual events.
- The York Festival of Food and Drink attracted at least an estimated 120,000 people to events over the nine days – these included markets, the Food Theatre in the Guildhall and events in the Mansion House and other locations, as well as dinners and wine tastings. The total economic impact of the visitors on York was estimated at £7.3m – not least because the majority of visitors (49%) were staying visitors, of whom 10% were staying for seven or more nights. Responses to the festival were extremely positive. The 2007 Festival is on 21-30 September
 - Over 100,000 people attended the St Nicholas' Fayre weekend on 22-25 November 2006, the great majority of whom were visitors. Special coach parking arrangements were implemented again to deal with the traffic management challenge.
 - The 2007 Residents First Weekend (27-28 January) featured more attractions than ever, with newcomers this year including the Norwich Union Yorkshire Wheel, DIG! and the Cold War bunker in Acomb. First Group and smilesallround estate agents were the sponsors. Responses from the attractions on their resident visitor numbers are being collated at present. One finding from the research indicates that over three-quarters of residents recommend attractions to visiting friends and relatives, or go with them to those attractions, when they stay with them. The "visiting friends and relatives" market is an important one, and York's tourism industry clearly benefits from this.
 - In Annex 3 are the latest tourism trends. Hotel occupancy trends have been disappointing this year (down a few percentage points each month compared to the same period last year), though this data, through the Tourism Board, is based on a sample of hotels so results may be affected by the sample size. In contrast the number of visits to attractions has generally been greater on a month-by-month basis in 2006 compared with 2005.

Future Prospects

12. The last six months has been a particularly busy time for the service. There has been an increase in enquiries from workers at risk of redundancy, not unexpected in the current climate. Negotiations have taken place with Nestlé and on-site consultants, DBM, and FP staff have been on-site since the 29th January. Discussions are taking place with the Learning and Skills Council (LSC) to explore ways of increasing resources and opportunities for workers at risk of redundancy in the city. Any opportunities and resources will be extended to other at risk workers (British Sugar and other smaller redundancies).
13. The contract with the LSC to offer learning and training opportunities to people with mental health problems is entering a final phase. It has been extremely successful and the LSC have extended the contract for a further 3 months with an increase in funding of £60,000. A recent audit revealed a 0% error rating.
14. In November FP received a matrix Excellence Award for outstanding services in information, advice and guidance. This is the second time FP have received this award (also in 2004) and FP is the only organisation in the UK to have received the award twice. The award was presented at a high profile event at the Institute of Directors in London by athlete Colin Jackson and Minister for Skills, Phil Hope.

The year-end performance indicators should be available in April.

Rail-related issues

North - South high speed link

15. An item on this was included in the Progress Report presented to the last meeting of the Board. Since then the comprehensive review of transport in Britain, commissioned by the Secretary of State for Transport and led by Sir Rod Eddington, has reported.
16. In summary, the Eddington Review concluded that the business case for a new high-speed line was not robust enough and although not burying the idea completely it has been dismissed for now with the emphasis being placed on more cost - effective investment in existing line capacity enhancement.
17. There continues to be some debate over the issue and although a preferred route was never selected, a disappointed Scottish Transport Minister for one has stated that a three hour London - Scotland rail service is needed for competitiveness, tourism and environmental reasons.

East Coast Main Line (ECML) re-franchising

18. Also reported to the last Board meeting were the increasingly difficult circumstances faced by GNER in operating their ECML franchise. The franchise was taken from them before Christmas and the company is now delivering ECML services on a contract basis agreed with the Department for Transport. This arrangement will continue whilst the franchise is re-tendered. The Department for Transport is expected to confirm the winning bid in July or August with the new franchise becoming operational sometime in the late autumn.

19. Expressions of Interest were invited from private operators over the Christmas period with a bidder short-list announced on the 20th February. These were Virgin, FirstGroup, National Express and Arriva.
20. With its parent company, Sea Containers, still in administration in the US, GNER won't be making a separate bid. However, the company managers are hoping that their management/operational experience combined with the company's reputation for customer-focused service will make it an attractive junior partner for one of the short-listed bidders. Negotiations continue in this respect.
21. In the meantime, as was the case during the earlier franchising process, a letter has been sent to the Department for Transport emphasising the importance of ECML to the York area economy. The letter highlights the need to provide quality rolling stock, station/integration improvements, capacity increases, value for money and better service quality and performance. It also picks out key issues such as facilitating the benefit the London Olympics can bring to the regions, developing York Central as a site with regional strategic capability and the need to extend the principle of "open access" competition for services.

The value of the existing York based headquarters function brings to the line as a whole has been highlighted.

22. Again, as before, it is envisaged that the short-listed bidders will be asked to make a presentation to the Board and others within the council with an interest when their intentions for the franchise (and the headquarters function) can be probed. If bidders are to take on-board the views expressed and incorporate them in their submissions, then presentations would be most beneficial in April/May.

Science City York

23. Since the last report in September Science City York (SCY) activity has focussed on the development of both its strategic and operational priorities in line with the Sub Regional Investment Plan (SRIP) from which SCY has received significant funding support. SCY was funded to create the new operational team structure which is now in place with the objective of optimising its delivery potential and to meet targets, outputs and outcomes agreed with Yorkshire Forward.
24. The new team members have concentrated on learning their new roles and developing the skills in managing cluster-based business interactions and focussed events. New committees have been formed or refreshed to support and advise staff. The existing Business Promoter team, now up to full strength, had focussed on delivering outputs in terms of business creation and funding support to new businesses through the Proof of Concept Fund (designed to assist test marketing ideas for products, services and new processes) and the Technology Growth Fund which takes business ideas on to the next stage of development.
25. Science City has undertaken publicity and promotional literature design in-house during the restructure and this tied to events management is beginning to show results and cost savings.

Staffing Structure

26. During September and October the final recruits joined the team covering the three key Cluster Executive roles in IT and Digital, Bioscience and Healthcare and Creative Industries. In October Paul Taylor joined SCY on a one year interim contract as the Project Director.

SCY Organisational Structure going forward

27. Following extensive debate between the key stakeholders of Science City York, the University of York and York City Council, a Stakeholder Board was established in mid-2006. This included representatives of the two main stakeholders, an independent Chair, the present Chair of SCY and key partners Yorkshire Forward. The formation of this Board recognised SCY's increasingly important regional as well as national role. Deliberations by the Board over the past months, backed by a study commissioned from SQW, led to the decision to create a new vehicle, a Company Limited by Guarantee (CLG) to formalise the partnership. A report to Council in September confirmed this decision.

Northern Way Bid

28. The Northern Way Bid was aimed at utilising funds set aside to create innovation assets in the Yorkshire Forward area. A bid valued at £2.6 million was submitted for a 'Hub and Spoke' model consisting of 3 innovation centre 'spokes' in key locations in York:-

- A Digital and Creative Technologies Centre c40,000 sq ft located on the Terry's chocolate works redevelopment
- Park Central c5000sq ft in- fill building between the Innovation Centre and the Bio Centre on the York Science Park creating additional offices, exhibition and networking space
- The creation of a Biological Business Centre located on the University campus

The bid progressed from Stage 2 to Stage 3 during October and November finally being approved to go to Contract Stage in late January 2007.

York Science Festival

29. Plans are well advanced for the York Science Festival in March. This event is now in its tenth year and Adam Hart Davis will be the festival patron attending events throughout the week. A special programme of events has been created by the Science City events team and these will take place across the city in a range of locations. This is a prime example of the public engagement and community involvement in understanding science and technology, a major role for SCY.

BA Festival 2007

30. The British Association for the Advancement of Science (BA) is a national foundation which promotes the public engagement and understanding of science. It was founded in York in the 1830s.
31. A four-day event will be held in York in September. Science City York will play a supporting role within the City Council to spread activity cross the city. This builds on the existing contacts and venues involved in the York Science Festival. The University already has an extensive programme of events and activities to engage adults and potentially 4,000 children from local schools.

It is also an excellent vehicle to promote the city as a global Science City and to work in partnership with the City's Tourism team.

32. Substantial amounts of sponsorship are still required and the city's tourism and leisure teams are working together with SCY to develop the programme with the BA, Yorkshire Forward and the University.

National Science Cities Development Group

33. York has been lead member of this group since its inception 3 years ago. A third Science City conference was held in Newcastle in early February and was attended by the new Minister for Science and Technology Malcolm Wicks (ex University of York)
34. This was a good platform for York to present a business case representing its work supporting a start up business in web-based training which exemplified SCY's joined-up approach.
35. There is much still to do in joining up the work of the individual cities into a unified approach mainly because each has a different model and speed of development. An area of activity that may well emerge as agreeable is in promoting the six Science Cities internationally, together with UKTI, as an investment and trade opportunity utilising a joint cluster approach.

STEM Commissioning Framework

36. The Science, Technology, Engineering and Maths (STEM) Board in Yorkshire, part of Yorkshire Forward, issued a call for projects and programmes of work covering 2006-2009 in the autumn of last year. Yorkshire Forward awarded SETPOINT a contract for family and adult lifelong learning and the promotion of science in January 2007. SCY will play a partner role in the delivery of this programme with providers building up the level of activity through additional support staff being drafted into the team to work in the areas of adult lifelong learning promotion.

York Training Centre

37. York Training Centre's main programmes are now Apprenticeship Training for 16-24 year olds and Work Related Programmes for 14-16 year olds. In addition, the Centre has recently secured a Learning + Skills Council contract (to 31 July 2007) to deliver E2E Level 1 apprenticeships to 16-19 year olds. The Centre also continues to deliver programmes (mainly NVQs) for private full fee-paying candidates, Council employees and to other 25+ learners in the Early Years and Health & Social Care areas via an ESF contract managed by Providers in Partnership (PIP).
38. The Centre was successfully involved in the Train to Gain 'pilot' last year with a qualification success rate of over 80% - one of the best success rates in the region. Unfortunately, however, the Centre was not successful in the general bidding round for the new programme and is currently looking to take advantage of some LSC 'Regional Response' funding in order to get back on board. The Centre has a large number of learners waiting to commence NVQ level 2 qualifications in Early Years and Health & Social Care and a high expectation from employers in the sector for this to happen.
39. The financial situation for the current financial year is, as ever, very tight, though the new E2E Level 1 apprenticeship contract has helped considerably. The financial position for the new academic year is still unclear in some cases relating to the uncertainties in recruitment of new learners from September 2007. However, it is clear that what should be a significant increase in fees to schools for this programme will not be popular and may have a negative effect with regard to recruitment in the new academic year.
40. York Training Centre (jointly with Adult and Community Learning) was inspected by the Adult Learning Inspectorate in November 2006. The report published on 5 January this year concluded that both provisions were overall 'good', putting City of York Council in the top quarter of quality provision.

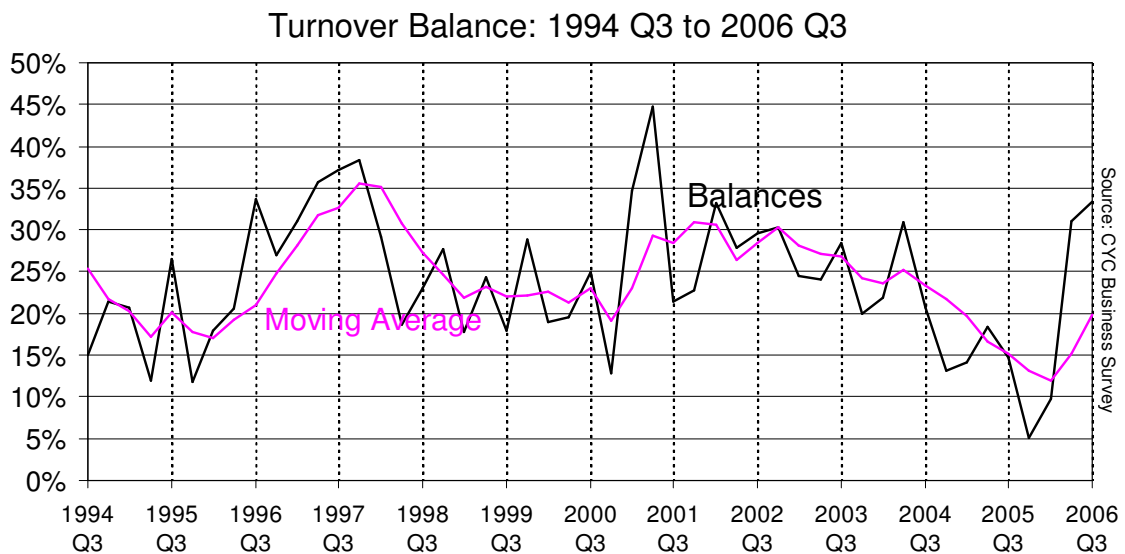
City Centre Partnership Ltd

41. The first major research questionnaire designed to test the appetite for a BID (Business Improvement District) was sent to over 1600 City centre businesses in the latter half of February. Accompanied by a special BID Newsletter explaining how the scheme would operate, the survey aims to establish initiative priorities and initial interest. The survey can also be completed on-line.
42. Initiative groups continue to progress work on the Action Plan. York in Bloom will be entering the Yorkshire Regional "In Bloom" competition in 2007 after an absence of some years. RACY (Retailers Against Crime in York) are completing a Service Level Agreement to formalise their relationship with North Yorkshire Police. YCCP sponsored the Tree of Life in St Helen's Square as part of the Christmas celebrations.
43. The YCCP Board has now agreed to extend representation from the private sector and is now recruiting three new Directors. The Chief Executive, Carolyn Dunn, has also been appointed to the Board. A Memorandum of Understanding between the Partnership and the Council is now in place.

Business Survey

44. The York Business Survey for the third quarter of last year shows a broadly positive picture, with improvements in turnover, employment, and operating capacity. Confidence in future activity has shown a marked increase and local businesses are making an increased, and consistent, use of the internet to both advertise and sell products.

Fig 1. Turnover

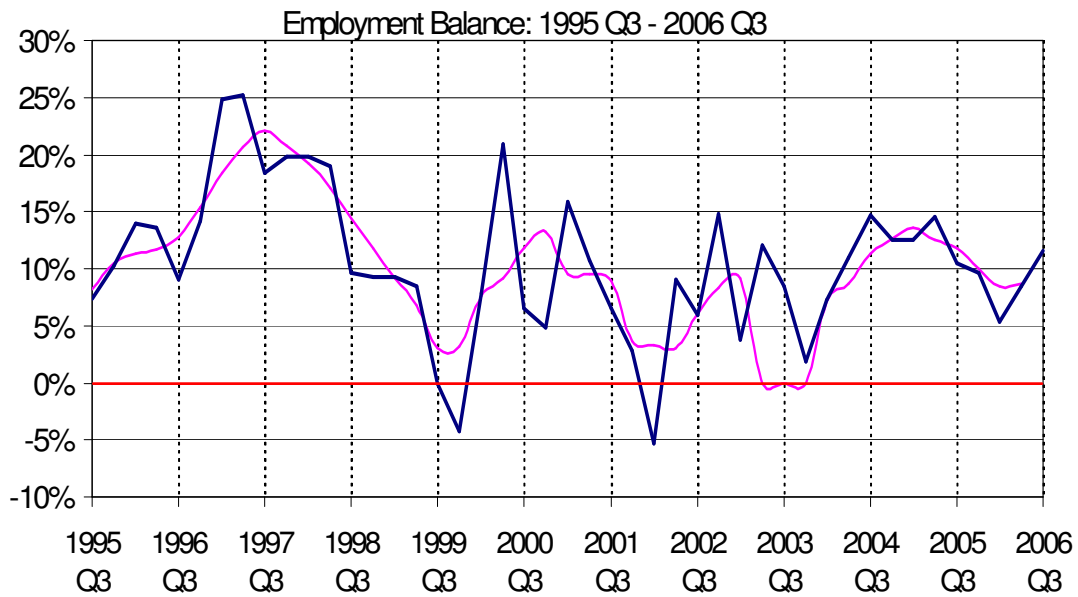


Turnover

	2005 Q3	2006 Q2	2006 Q3
Risen	38.9%	45.4%	46.9%
Fallen	24.2%	14.3%	13.5%
Balance	14.7%	31.1%	33.4%

45. The Turnover chart shown as Figure 1 is intended to show the broad trend in turnover balance – with the smooth trend line being the more important than the quarterly observations. This peaks around mid-2001 since when it has exhibited a steady decline. In the last two quarters however, turnover has begun to pick up - and this may be the beginning of a longer trend if local and national economic factors remain favourable. Actual proportions of businesses reporting rising and falling levels of turnover over the last quarter and a year ago for comparison are shown in the table above.

Fig 2. Employment



Employment

	2005 Q3	2006 Q2	2006 Q3
Risen	26.3%	16.8%	21.9%
Fallen	15.8%	8.4%	10.4%
Balance	15.5%	8.4%	11.5%

46. **Figure 2** provides a broad view of employment balance over the last 11 years. As the table below it shows, the balance figure is calculated by subtracting those businesses reporting a rise in employment from those expecting a fall – as is done in national surveys such as those conducted by the CBI. The overall balance has been declining over recent quarters, following a rise in 2003/4. However there are signs of improvement and in that 11 year period the smoother trend line has never suggested a larger proportion of firms losing staff than taking on staff – even in difficult periods of low demand or restructuring among local employers.

Operating Capacity

	2005 Q2	2002 Q2	2006 Q3
Full Capacity	16.8%	18.6%	21.9%
Above 70%	58.9%	86.7%	65.7%

47. The table above shows **operating capacity** across firms – those operating at full capacity has grown by just over 3 points since the last quarter and by over 5 points compared to the same period a year ago. While there has been some reduction in the proportion of firms operating above 70% capacity over the last quarter, this group also grew by just under 7 points over the year.
48. The main indicator of confidence is that of **future turnover levels** and the table below shows these for the quarters shown:

Expected Turnover			
	2005 Q4	2006 Q3	2006 Q4
Risen	34.7%	41.2%	40.6%
Fallen	26.3%	9.2%	10.4%
Balance	8.4%	32.0%	30.2%

49. Confidence of turnover in the 4th Quarter of 2006 fell back a little from views expressed three months before – from a balance figure of 32% looking into 2006 Q3 to 30.2% looking to 2006 Q4 – a fall of just under 2 points. This deterioration on the previous quarter was compensated for however by a near 22 point improvement on the position a year ago. For many businesses, particularly those in retailing, hotels and restaurants there is a strong seasonal component to trading levels and the fourth quarter is an especially busy time. The next survey will reveal whether these predictions that turnover would be much firmer than a year ago materialised.
50. One growing phenomenon in the business world is the increased use that businesses are making of the **Internet** and this topic has been covered in the business survey for nearly two years, starting in the last quarter of 2004.
51. Around 40% of firms in York use the Internet in some form to achieve sales while about three-quarters of all firms use the 'Net to provide information to their customers. Around half of all firms make use of the Internet to advertise their goods and services to a wider audience while fewer and fewer make no use of the Internet at all – from over one in five 2 years ago to just one in eight towards the end of last year.
52. The proportion of businesses who have seen the advantages presented by securing a broader customer base, and have used the internet as one means of achieving this - including those who live overseas, has remained broadly constant at an average 28% but there are likely to be sectors where this has been greater. In retailing for example, more businesses can be seen to be using the Net for providing information to customers, although the proportion who have made it possible for their customers to buy on-line remains fairly constant at 35%. Around a third of retailers also make up to a quarter of all sales on the Net – important when

retailing is facing continuing cost pressures and narrowing margins on the High Street. Although retailers have seen sales achieved through this route rising, in more recent quarters it has begun to level off, so that for now this proportion looks set to remain fairly constant.

53. One question in the survey has been prompted by an Audit Commission performance indicator which measures how satisfied businesses are in the city or region in which they are located. This question has been in the York Business Survey now for four quarters and on average 95% of businesses regard York as a 'good' or 'satisfactory' location for their business while just 1.25% actively consider the city to be 'poor'. Around 4% feel unable or are unwilling to express a view on this in a single question.

Risk Management

54. In compliance with the council's risk management strategy. There are no risks associated with the recommendations of this report.

Recommendation

55. The Board's input and endorsement is requested.

Reason: To help shape the effectiveness of future action.

Contact Details

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Report Approved



Date 26 Feb. 07

Specialist Implications Officers: None

Wards Affected:

All



For further information please contact the author of the report

Background Papers: Progress on key issues report 26 September 2006

Annexes - Annex 1 – Performance Indicator – Business Performance VJ15c - e
Annex 2 – Performance Indicator – Unemployment in York VJ15a and VJ15b
Annex 3 – Tourism Trends
Annex 4 – Employment Activity (2000 – 2006) - Unemployed