

**Notice of a public  
Decision Session - Executive Member for Economy and Strategic  
Planning**

**To:** Councillor Waller (Executive Member)

**Date:** Tuesday, 24 November 2020

**Time:** 10.00 am

**Venue:** Remote Meeting

**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:

**5:00 pm on Thursday, 26 November 2020.**

\*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 item on this agenda should be submitted to Democratic Services **by 5.00pm on Friday, 20 November 2020.**

## 1. **Declarations of Interest**

At this point in the meeting, the Executive Member are 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. **Public Participation**

At this point in the meeting members of the public who have registered to speak can do so. Members of the public may speak on agenda items or on matters within the remit of the committee.

**Please note that our registration deadlines have changed to 2 working days before the meeting, in order to facilitate the management of public participation at remote meetings. The deadline for registering at this meeting is 5:00pm on Friday 20 November 2020.**

To register to speak please visit [www.york.gov.uk/AttendCouncilMeetings](http://www.york.gov.uk/AttendCouncilMeetings) to fill out an online registration form. If you have any questions about the registration form or the meeting, please contact the relevant Democracy Officer, on the details at the foot of the agenda.

### **Webcasting of Remote Public Meetings**

Please note that, subject to available resources, this remote public meeting will be webcast including any registered public speakers who have given their permission. The remote public meeting can be viewed live and on demand at [www.york.gov.uk/webcasts](http://www.york.gov.uk/webcasts).

During coronavirus, we've made some changes to how we're running council meetings. See our coronavirus updates ([www.york.gov.uk/COVIDDemocracy](http://www.york.gov.uk/COVIDDemocracy) ) for more information on meetings and decisions.

**3. Sector Roundtable Update - Output and Next Steps** (Pages 1 - 26)

The Executive Member will consider a report which provides an update on the Council's sector roundtable initiative, an initiative established in partnership with York's key business support agencies.

**4. York's Approach to Inward Investment** (Pages 27 - 40)

The Executive Member will consider a report outlining York's Approach to Inward Investment and is asked to approve the creation of a York prospectus that outlines the city's inward investment offer and sector-specific propositions.

**5. Apprenticeship Levy Transfer Strategy (CYC)** (Pages 41 - 50)

The Executive Member will consider a report which recommends that the council promotes its apprenticeship levy transfer service to: support micro, SME, public sector and VCSE organisations to benefit from any of the council's unallocated levy funds, up to a maximum of 20% (threshold for reviewing allocated funds) and, encourage other local levy paying businesses and public sector organisations to do similar. This will help to ensure that any unused apprenticeship levy funding is reinvested in York to support local priorities, rather than it being lost to the city.

**6. Infrastructure Funding Statement** (Pages 51 - 60)

The Community Infrastructure Levy (Amendment) (England) (No.2) Regulations 2019 requires a contribution receiving authority to publish an annual Infrastructure Funding Statement (IFS) no later than the 31<sup>st</sup> December 2020.

The Executive Member is asked to note the contents of this report and delegate to the Corporate Director of Economy and Place, responsibility to publish the IFS on the Council's web site in accordance with annual deadlines.

**7. Urgent Business**

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

## Democracy Officer

Name – Michelle Bennett

Telephone – 01904 551573

E-mail – michelle.bennett@york.gov.uk

**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)

 **(01904) 551550**

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



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**Decision Session – Executive  
Member for Economy and Strategic  
Planning**

**24<sup>th</sup> November 2020**

**Sector Roundtable Update – Output and Next Steps**

**Summary**

1. This report provides an update on the Council’s sector roundtable initiative, an initiative established in partnership with York’s key business support agencies. The aim of the initiative has been to understand the changing needs of businesses in response to Covid-19, to develop appropriate provision, and lobby Government for resources. Together with the work carried out by the Council’s Public Protection team in supporting businesses to reopen safely over the summer following the first national lockdown and our regular business e-bulletin which reaches over 1,000 businesses in the city with key information and available business support, the sector roundtables initiative has been a key part of our approach to business engagement during the pandemic.
2. Three rounds of sector roundtable meetings have taken place between May and September 2020, with over 200 businesses taking part in the initiative across a broad range of sectors. Common themes raised through the roundtables include access to finance; the reduction of operational capacity following the implementation of social distancing measures; restoring consumer/business confidence; concerns around the health and wellbeing of staff working remotely; and the repurposing of city centre space. Businesses also voiced their concerns over the lack of certainty regarding the UK’s future trading relationship with the EU.
3. Businesses found the sector roundtable meetings to be beneficial. They welcomed the ability to have a two-way discussion with the Council and its partners, as well as keeping up to date with how other businesses and sectors were faring, sharing ideas and general business-to-business networking. Intelligence from the sector roundtables has helped shape the city’s response to Covid-19 and underpinned central government lobbying efforts, helping York to speak with authority on the basis of

broad engagement . Moving forwards, businesses have expressed a desire for these roundtable meetings to continue, although sector roundtable groups have varied in terms of their levels of business representation and the quality of intelligence provided. As a result, we propose that certain sector roundtable groups no longer continue in their current format, with alternative methods of business engagement for these sectors proposed (utilising existing business networks, key account management etc.).

4. Finally, it is important to highlight that the sector roundtables initiative is very resource intensive and requires significant staff capacity to deliver. Current staffing levels within City of York Council's Economic Growth team and Make it York present a challenge in seeking to continue business engagement through the sector roundtable approach, despite its clear benefits. We therefore propose to be creative in continuing sector roundtable activity in the short-term, especially given the economic challenges that York continues to face in response to the pandemic and further economic uncertainty as Britain leaves the EU. This could mean engaging with businesses taking part in the sector roundtables via email communication, ensuring that business intelligence on the sector impacts being felt locally continues to be received by the Council and its partners as the city navigates the pandemic and EU exit.

## **Recommendations**

5. The Executive Member is asked to:
  - 1) Note the contents of the report on the Council's sector roundtable initiative;
  - 2) To continue business engagement through the sector roundtable approach, recognising that levels of engagement will vary in accordance with available staff resource.

Reason: To support York's economic recovery from Covid-19.

## **Introduction**

6. City of York Council's economic response to Covid-19 has sought to be pro-active and evidence-based, developed in partnership with the city's business community.

7. Underpinning this work, the key business support agencies in York – Make it York, York Business Improvement District, York and North Yorkshire Chamber of Commerce, the Federation of Small Businesses, University of York and the Council – have been meeting informally each week to share intelligence and support collaboration.
8. To aid the intelligence gathering process, 12 sector roundtables have been established to understand the changing needs of businesses across York's economy and to develop provision and lobby for resources. These sectors are as follows:
  - Bio-economy & Life Sciences;
  - Food & Drink/Hospitality;
  - Financial Services;
  - Foundation Services;
  - Further and Higher Education;
  - IT/Digital & Creative;
  - Manufacturing;
  - Professional Services;
  - Property & Construction;
  - Rail & Transport;
  - Retail; and,
  - Tourism.
9. An additional roundtable was added after the first round of meetings to engage with the city's cultural sector. The first round of meetings took place between May and June 2020, with a second round of the sector roundtables taking place between late June and July. A third round of meetings took place in September. More than 200 businesses took part in the sector roundtables initiative.

### Common Themes

10. Business feedback as part of the sector roundtables initiative has been far ranging, but a number of common themes have been highlighted

across the three rounds of meetings. **Access to finance** was a key issue for businesses taking part in the sector roundtables. Business were keen to how about the range of financial help available in supporting them from pandemic. Many sectors raised fears over cash flow following the first national lockdown and even for sectors that were currently trading well such IT/Digital & Creative, the future pipeline of work was uncertain as clients pause on investment decisions due to Covid-19. The lack of available finance was raised as a barrier to business recovery when businesses spoke of investing in new technology and equipment, as well as aiding business development. For businesses operating in retail, leisure, hospitality and the foundation services, ongoing rent commitments at a time when trade was either reduced or non-existent was a concern. The rent deferment implemented by the Council for its commercial tenants during the first national lockdown was well received and appreciated, although other businesses in the city had a less-positive experience in engaging with their landlord.

11. More recently financial services businesses reported that they were witnessing a tightening of credit in the tourism and hospitality sector - a concern given the initial impact on trade following Tier 2 restrictions, with these sectors now forced to close following the Government's second national lockdown. The extension of the Government's Job Retention Scheme (JRS) until March 2021 is therefore welcome, in addition to the extension of government-backed loan schemes.
12. A number of cultural venues in the city had applied to the government's Cultural Recovery Fund, with £1.86m awarded to theatres, museums and cultural organisations in York. November 2020 will see the Heritage Fund resume accepting applications for financial assistance grants for heritage sector organisations who have, so far been unable to access Covid-19 emergency funds.
13. **The reduction of operational capacity following the implementation of social distancing measures** designed to aid customers and staff safety were a regular topic of discussion for businesses taking part in the sector roundtable. As to be expected, businesses operating in hospitality, retail, tourism and foundation services were concerned by the loss of trading capacity following the implementation of social distancing measures, and questioned whether their business would be commercially viable moving forwards. The passenger capacity of public transport has also been severely impacted by social distancing measures put in place to aid customer safety, although the rise in remote working coupled with the government's consistent message to avoid



travel on public transport unless deemed essential has had a significant impact in keeping patronage levels low.

14. The cultural sector was another sector severely impacted by social distancing measures. Businesses reflected on there being little appetite for socially distanced events, with those that did explore this remark that they were not commercially viable.
15. The issue of **consumer/business confidence** was one that was frequently raised over the course of the sector roundtables. The construction sector noted that whilst construction sites were open across the city, their biggest concern was building confidence back into the market to stimulate investment. Businesses taking part in the roundtable reported that the pipeline of new work is subdued as a result of investment delays. Similar concerns over the future pipeline of work were raised by IT/Digital & Creative businesses who were trading well.
16. Businesses that traditionally worked from office environments across York were now working remotely following the pandemic. In general, remote working was working well for employers and staff. However, as home-working became the norm through the pandemic, businesses voiced their concerns over the **health and wellbeing of staff working remotely**. Employers often assume that staff have suitable home working conditions, but this was not universal. Businesses working in the professional services sector noted that the working day often became longer when working from home. Looking towards the future, employers expect a blended model of home and office working to become the norm following Covid-19.
17. Businesses also discussed York's city centre commercial accommodation offer, with the financial and professional services sector emphasising the need for more flexible office space in the city. It was stated that the cost and length of leases in the city centre was a barrier to potential occupiers, especially for small businesses looking to locate in the city centre. The issue of **empty retail units** was also raised, and the need to repurpose these for alternative uses, as well as better utilisation of vacant space across the city centre such as upper floors above shops.

## EU Exit

18. Businesses taking part in the third round of sector roundtable meetings were asked to share any Brexit preparations they were making, raise their concerns, and highlight if there is anything that the Council and its partners could do to support them with EU exit.

19. Businesses stated that were preparing for EU exit as best as they could in light of Covid-19, but raised concerns over the lack of certainty regarding the UK's future trading relationship with the EU.
20. With regards to more specific sectoral impacts, EU exit was highlighted as a major challenge for the construction industry which relies on the movement of goods, people and materials. Mitigations put in place included companies expanding their storage facilities to provide greater storage capacity and importing goods a lot earlier to minimise operational disruption.
21. EU exit was also highlighted as a major concern for York's cultural sector, from potential issues obtaining materials to build sets, to visas and work permit issues for European artists travelling to the UK for cultural projects. One of the city's leading music centres spoke of the reputational damage arising from Britain leaving the EU given their participation in European-led projects. Bio-economy and life sciences businesses also raised specific concerns over the future of current projects with European consortia/markets, as well as questioning what happens to intellectual property post-EU exit.
22. City of York Council's Economic Growth team is working closely with York's key business support agencies and York and North Yorkshire LEP Growth Hub to ensure that local businesses have the necessary support and advice to effectively prepare for the UK leaving the EU.
23. A report summarising the key issues emerging from the three rounds of sector roundtable meetings can be found at Annex 1.

#### Shaping City Recovery Efforts and Government Lobbying

24. City of York Council's sector roundtable initiative has played a key role in shaping the city's response to Covid-19. Following concerns from city centre businesses during the first national lockdown on how to re-open safely and the prospect of low footfall and low levels of trade, the Council issued business guidance packs, extended footstreets and installed visible signage to aid with social distancing and increase public confidence. Car parking incentives were also implemented and a Tourism Marketing Strategy was developed, in conjunction with Make it York, to attract local residents and visitors to the city centre through a carefully curated programme of activity from August through to winter.
25. The work of the Council and its partners in response to the pandemic drew positive feedback from retailers, hospitality and tourism businesses through the sector roundtables. The Council's Economic Growth

Manager was also invited by BEIS to speak at their North West Regional Better Business for All Week to provide an insight on business perception of regulators (building upon the Council's [York Business Perceptions Survey](#)) and to share the work that the Council and partners are doing in supporting businesses through Covid-19.

26. In response to concerns raised by businesses through the sector roundtables initiative, the Council's Executive Members has repeatedly lobbied Government for additional funding to support businesses. Particular emphasis has been placed on those businesses with rateable values above £51k and therefore not eligible for the government's Covid-19 business support grants (as administered by the local authority), further targeted support for the city's hospitality sector following the complexities of evolving government restrictions, and a localised version of the Job Retention Scheme in response to insufficient financial support in place for businesses in areas facing public health restrictions.
27. Following York entering a second national lockdown, the Council's Economic Growth team has called for any local business who have been severely impacted by Covid-19 restrictions and will not benefit from the additional grant support announced by government to get in touch with us. We will continue to raise these issues with key business support partners and central government.

#### Future Activity and Staff Resources

28. Businesses taking part in the Council's sector roundtables initiative welcomed the ability to have a two-way discussion with the Council and its partners, and found it helpful to keep up to date with how other businesses and sectors were faring, share ideas and take part in business-to-business networking.
29. Looking towards the future, there was a widespread desire across sector groups for these roundtable meetings to continue moving forwards, although businesses were keen to see wider businesses representation at the sector roundtables, including more start-ups and SMEs, a greater number of the national retail and hospitality chains in York and the city's high street banks. Businesses also keen to undertake more themed-based discussions moving forwards.
30. In terms of business representation and the quality of intelligence provided through the sector roundtable initiative, this has varied across sectors. For instance, businesses attendance at the property & construction and manufacturing roundtables has been varied, whilst

there are other networks operating locally that bring businesses together in these sectors. Similarly, businesses and organisations taking part in the further and higher education roundtable already come together as part of other meeting groups and therefore continuing this roundtable is a duplication of efforts. Finally, the bio-economy & life sciences sector roundtable group has struggled to feature representation from York's life sciences sector – a highly productive and growing cohort of businesses, these businesses need to be engaged if this sector roundtable group is to continue meeting.

31. Moving forwards, we propose that certain sector roundtable groups no longer continue in their current format, with alternative methods of business engagement for these sectors proposed including utilising existing business networks and/or ensuring that relevant businesses are part of our key account management work.
32. Despite being highly beneficial in terms of business engagement, it is important to highlight that the Council's sector roundtables initiative is very resource intensive and requires significant staff capacity to deliver. The three rounds of sector roundtable meetings were delivered with officers from Make it York performing both the administrative and secretariat functions. Existing business support resource was supplemented by the support of Visit York colleagues as activity during the first national lockdown pivoted to support businesses in dealing with the impacts of Covid-19.
33. This staff capacity at Make it York is no longer in existence following the return of officers to Visit York. Similarly, the Council's Economic Growth team has also experienced a decrease in staff capacity with current recruitment plans placed on hold following an internal freeze on recruitment in light of Council's budgetary pressures following Covid-19.
34. In light of such aforementioned capacity constraints, levels of engagement will need to vary in accordance with available staff resource. We also need to think creatively about how sector roundtable activity can continue in the short-term, especially given the economic challenges that York continues to face in response to the pandemic and further economic uncertainty as Britain leaves the EU. This could mean engaging with businesses taking part in the sector roundtables via email communication, ensuring that business intelligence on the sector impacts being felt locally continues to be received by the Council and its partners as the city navigates the pandemic.

35. The sector roundtables initiative has provided the Council with a new and highly beneficial communication channel through which to undertake business engagement and we propose to continue engagement through this approach, in accordance with available staff resource. This communication mechanism, as well as the Council's Big Conversation tool, will also be used to engage with businesses on the Council's new Economic Strategy and the city's Adult Learning and Skills Strategy, as well as other strategic plans for the city.

### **Consultation**

36. Consultation on York's economy and the Council's Covid-19 response has taken place through weekly intelligence calls with key partners, the civic partnership structures, 13 sector roundtables and the Executive Member for Economy and Strategic Planning's Decision Sessions.

### **Council Plan**

37. Our work addresses the following outcomes from the Council Plan:

- Well-paid jobs and an inclusive economy; and,
- An open and effective council.

### **Implications**

- **Financial** – no new financial commitments.
- **Human Resources (HR)** – no implications;
- **One Planet Council / Equalities** – no implications;
- **Legal** – no implications;
- **Crime and Disorder** – no implications;
- **Information Technology (IT)** – no implications;
- **Property** – no direct implications.

### **Risk Management**

There are no specific risks identified in respect of the recommendations.

## Contact Details

### Author:

Alex Dochery  
Economic Growth Manager  
Economy & Place  
x2080

### Chief Officer Responsible for the report:

**Tracey Carter**  
**Interim Director of Place**

Report  Date: 16.11.2020  
Approved

**Wards Affected:** List wards or tick box to indicate all

All

**For further information please contact the author of the report**

### Background Papers:

### Annexes

Annex 1: Summary report on Sector Roundtables, Meeting Rounds 1, 2 & 3

### List of Abbreviations Used in this Report

BEIS – Department for Business, Energy and Industrial Strategy

EU – European Union

IT – Information Technology

LEP – Local Enterprise Partnership



**Annex 2: City of York Sector Roundtables, Summary Notes for Rounds 1 & 2**

## City of York Sector Roundtables – Round One Analysis

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### **Background**

Covid-19 has created a unique set of challenges, unlike anything that has been seen in recent times. The lockdown requirements and subsequent social distancing measures mean that many businesses are not operating as normal, and the long-term outlook for many sectors is uncertain.

As part of York's response to Covid-19, a Business Intelligence Group has been created to share information relating to city's business community and to identify practical support measures. Made up of representatives from City of York Council and key partner organisations – Make it York, York BID, the University of York, the York and North Yorkshire Chamber of Commerce and the Federation of Small Businesses, the group has been meeting weekly since late April 2020 and has been sharing intelligence with the Council's decision-making structure and central government, the latter via York and North Yorkshire Enterprise Partnership.

In support of the intelligence gathering process, 12 sector roundtables have been established to understand the changing needs of businesses and to develop provision and lobby for resources. Businesses were asked to highlight their current issues and challenges as a result of the pandemic, as well as what further support they need to aid recovery. Each roundtable ended with a discussion on what a "new normal" looks like for businesses and their sector.

The first round of sector roundtables has recently been completed and this report outlines the common themes that have emerged from the discussions, as well as introducing the topics that will be discussed in the second and third round of meetings, suggested communications activity and a brief discussion on how these roundtables can be maintained beyond their current lifecycle.

### **Wave one - sector roundtable analysis**

In total, 112 businesses attended the first wave of sector roundtable meetings, with a broad geographic spread of businesses from across York (as shown by figure 1 below).



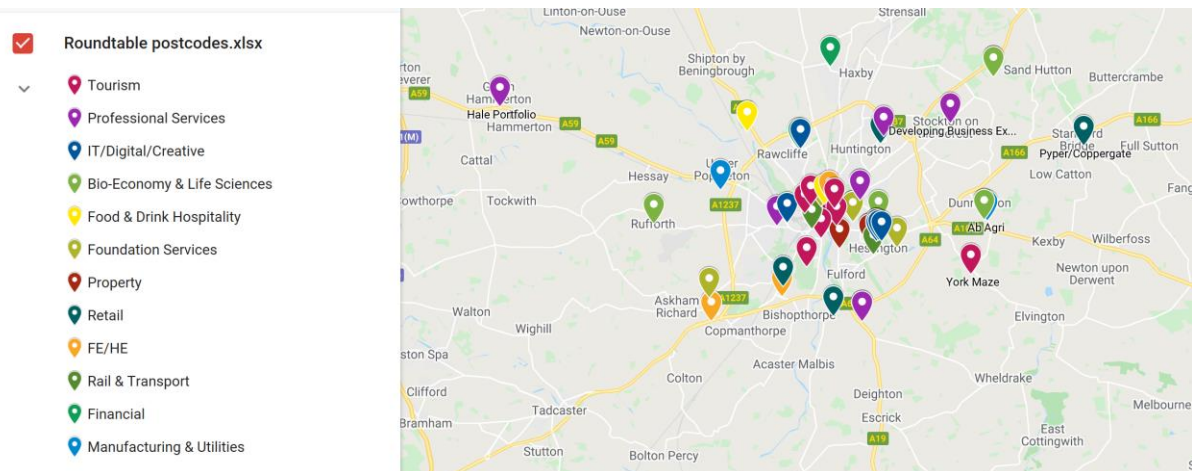


Figure 1: Location of businesses taking part in York's sector roundtables

Current Issues and challenges being faced by businesses in relation to Covid-19 were:

- Transport – in terms of getting workers to work, but also for the transport industry and B2C businesses how customers travelled to York;
- Staff and customer safety;
- Sourcing PPE;
- Ongoing financial liabilities (such as Premises);
- Access to finance;
- Issues with goods/materials that are normally sourced overseas;
- Staff wellbeing – especially those on furlough; and,
- Internet connectivity issues.

Many small companies are reluctant to increase their borrowing, often because they already have high levels of debt, are concerned they will struggle to repay loans or are reluctant to encumber their assets. This is reflected locally with several companies indicating that they were reluctant to borrow for fear of the business not being able to repay the loans in 12 months' time. This was largely due to the uncertainty of the lockdown, how long it was likely to go on for (with social distancing in place), and how it would affect trading capacity.

In terms of dealing with banks and other financial brokers, companies felt the banks were holding back on lending and focusing solely on delivering government lending schemes (CBILS & BBLs). The bankers spoken to were sympathetic but gave assurances citing the sheer volumes of applications they were processing was significantly higher than usual due to the government loan schemes and it is impacting their ability to deal with new business. Evidence also suggests companies are still reluctant to take up loans and prefer to explore all grant options first.

The Coronavirus Job Retention Scheme (Furlough Scheme) without doubt is the most widely used government support initiative. York is no exception and companies from across the business community from retail, hospitality, manufacturing/engineering, financial and professional services, and others took advantage of the scheme. There is concern that once the scheme finishes in October 2020, the city will see a raft of redundancies. However, the government is seeking to mitigate such job losses with the Chancellor's recent announcement in his Summer Economic Statement of a £1,000 new job retention bonus for every returning furloughed staff member.

Hospitality and retail sectors remain particularly vulnerable as their operating capacity is closely linked to social distancing rules and as it stands that is around 40 to 50% capacity. Businesses have brought some staff back as non-essential retail re-opened on the June 15<sup>th</sup>, and pubs, restaurants and bars reopened on July 4<sup>th</sup>. Other businesses within the sector are taking a more cautious approach and waiting to see how reopening progresses before making a decision on opening their premises.

The reopening of beauty salons, spas, tattoo parlours and nail bars has been met with welcomed relief by businesses in these areas, although certain treatments/services are not permitted. The construction sector has brought back most of its workers now and we have seen some return of furloughed staff from professional services which is a good indication of business activity returning. Indeed, one of the main areas of concern for this sector is the growing backlog of work.

Common areas of support needed by businesses to aid recovery were:

- Financial assistance - rent and staffing costs are the two biggest costs for the majority of businesses;
- Infrastructure support from the Government – transport and digital connectivity;
- Networking / business development / developing alternative customer base / developing more localised supply chains;
- Marketing and promotion of York as a place to visit and do business;
- Clear communication from government re: reopening and official guidance;
- City centre reopening – increasing consumer / visitor confidence; and,
- Skills.

Businesses wanted to know about the financial help available and general clarification on what support and assistance they were and were not eligible for. The government grants and micro grants administered and awarded by City of York Council were well received and appreciated, as well as the rent deferment implemented for the Council's commercial tenants. Unfortunately other businesses in the city had a less than positive experience in engaging with their landlord – many of these were in the retail, hospitality and foundation services sector, and had closed during lockdown with no income beyond grant support.

One of the overriding themes from all businesses has been around ensuring staff and public safety, especially for those businesses in the retail and hospitality sector.

Businesses wanted to know what measures were being put in place by the Council and its partners to aid social distancing and enable businesses to reopen safely. They also called for timely guidance from government in terms of reopening. Given the importance of public/visitor confidence to city centre footfall levels and trade, businesses wanted to know what transport measures were in place to encourage footfall back into the city centre and how the city was being promoted to residents and visitors.

With regards to the discussion of what a “new normal” looks like for businesses taking part in the sector roundtables, common areas raised were:

- Reassessment of businesses’ premises needs - working from home is now a longer-term model for many businesses.
- Greater use of technology to aid business development;
- Greater number of customers transiting to online;
- Digital services taking a significant upturn in business.

There have been many different approaches to dealing with the lockdown including some creative and inventive ones. Some companies have pivoted to take advantage of the lockdown developing new products relevant to Covid-19 and reopening the city, while others used the time to develop existing projects or work on internal projects. Anecdotally, companies were talking about not returning to offices and would continue to work remotely but that conversation has shifted slightly to working remotely some of the time but also having smaller premises. There is evidence to suggest this might be the case going forward but so far, none of the companies have made any definite plans to do so.

The pandemic and subsequent lockdown has been instrumental in forcing companies to review their IT, broadband connections, e-commerce platforms and remote working capabilities. This is bound to have some impact going forward once the lockdown eases completely. Of course, for some sectors such as hospitality, retail and some of the city’s foundation services, the future remains uncertain. So far, there have been relatively few reports of insolvencies, which can be attributed to government support measures and recent legal changes i.e. rent arrears. We continue to work with these sectors, have meaningful conversations and support businesses wherever possible

### **Next steps**

#### **Communications activity**

The engagement of York’s business community through 12 sector roundtables is a unique response to the pandemic which hasn’t been replicated in other local authority areas across the region. For this reason, and the very public call for local businesses to talk part in this engagement exercise, it is recommended that the conclusion of the first wave of sector roundtables is followed by timely press activity communicating the number of businesses taking part, common challenges and the areas of further

support required by businesses, and how the Council and its partners have put in place further support measures in response to this intelligence. Following concerns from city centre businesses around how to re-open safely, and the prospect of low footfall and low levels of trade, the Council have issued business guidance packs, extended footstreets and installed visible signage to aid with social distancing and increase public confidence. It has also implemented car parking incentives and is in the process of developing a bold marketing campaign that promotes York's visitor economy and encourages residents and visitors back to the city.

The recent business support measures announced by the Chancellor in his Summer Economic Statement should also be highlighted in the context of this initiative, given that intelligence from these sector roundtables has been shared with central government via York and North Yorkshire LEP. The Chancellor announced a £1.57bn package of financial support for the arts and heritage sector, a £1,000 new job retention bonus for every returning furloughed staff member, and a discount on eating out during August in an effort to support the UK's hospitality industry, amongst other support measures.

### Waves two and three

The next wave of roundtables will see businesses asked to comment on their biggest concerns at this moment in time, before touching upon the areas of skills, and what skills gaps they are experiencing, during, pre- or post-pandemic. The second wave of sector roundtables will finish with businesses prompted to outline what barriers were preventing them recovering and/or developing their businesses further. City of York Council will also be providing businesses with an update on its Economic Recovery Plans and further support measures.

Looking ahead to the third wave of roundtables, topics for discussion will include investment and innovation, and Brexit (in light of the current trajectory being pushed by central government).

### Future sector roundtable activity

To date, three meetings have been planned for each sector roundtable but consideration needs to be given to their longevity beyond the current lifecycle. So far, the roundtables have proven useful for both the Council and its partners, and the business taking part in them. Moving forwards, a smaller number of roundtables can be taken forward on a less frequent basis, and the structure could be altered to focus on key themes/issues as opposed to a sectoral discussion. Intelligence gathered from



these meetings can continued to be shared with the Council and its partners, and feed into the city's Strategic Business Leaders Roundtable.

**Authors**

Alex Green  
Head of Business, Network Innovation and Inward Investment  
Make it York

Alex Dochery  
Economic Growth Manager  
City of York Council

## City of York Sector Roundtables – analysis report on the second round of meetings

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### **Background**

As part of York's response to Covid-19, a Business Intelligence Group has been created to share information relating to the city's business community and to identify practical support measures. Made up of representatives from City of York Council and key partner organisations – Make it York, York BID, the University of York, the York and North Yorkshire Chamber of Commerce and the Federation of Small Businesses, the group has been meeting weekly since late April 2020 and has been sharing intelligence with the Council's decision-making structure and central government, the latter via York and North Yorkshire Enterprise Partnership.

In support of the intelligence gathering process, 12 sector roundtables have been established to understand the changing needs of businesses and to develop provision and lobby for resources. The first round of meetings took place between late May and late June. 120 businesses from across York came together in sector groups to share their current issues and challenges as a result of the pandemic, as well as what further support they needed to aid recovery. A discussion also took place on what a "new normal" looks like for businesses and their sector.

The second round of sector roundtables took place between late June and late July, with a total of 105 businesses taking part. In addition to the original 12 sector roundtables, an additional roundtable was held to receive intelligence from York's cultural sector. Businesses were asked to provide an update on current issues following the first round of meetings, highlight any skills needs either now, or in the immediate future, and identify what barriers they see to recovery for both their business and their sector.

This report outlines the common themes that have emerged from these discussions, as well as feedback from businesses on the measures that the Council and its partners have implemented to help to re-open the city centre safely, aid social distancing, and increase footfall.

### **Sector roundtable analysis**

In total, 105 businesses attended the second round of sector roundtable meetings, with a broad geographic spread of businesses from across York (as shown by figure 1 below).

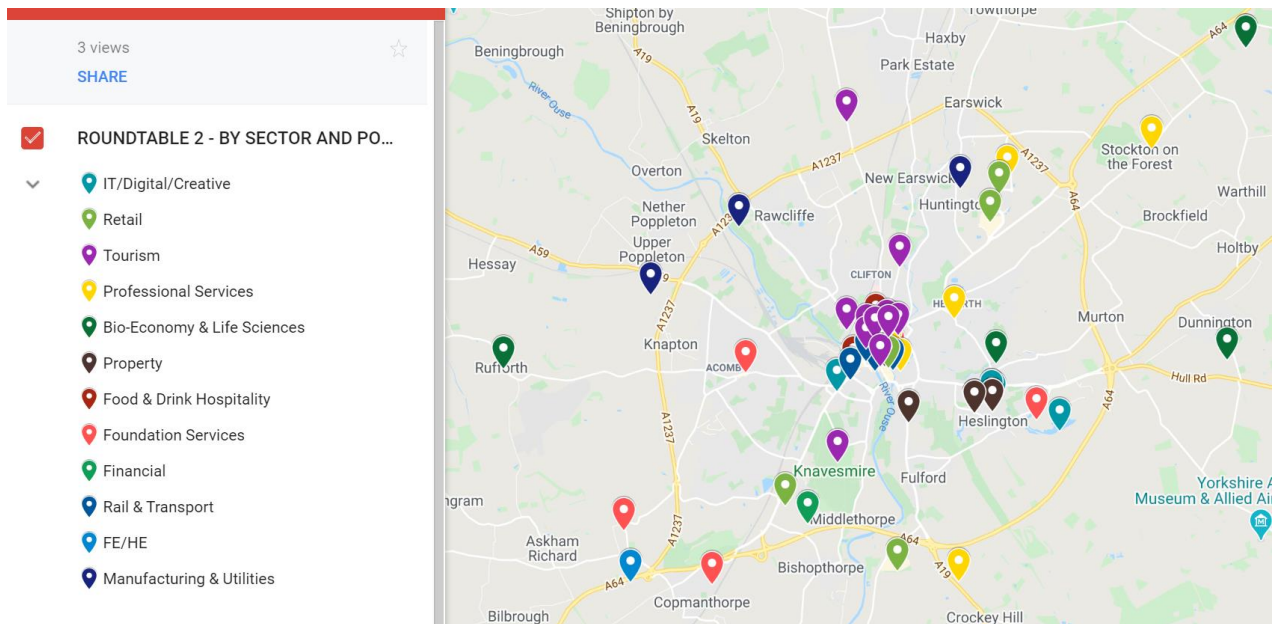


Figure 2: Location of businesses taking part in the second round of sector roundtable meetings

### Positive response to city-centre reopening measures:

One of the overriding themes from businesses taking part in the first round of sector roundtable meetings was ensuring staff and public safety, especially for those operating in retail and the hospitality sector. Businesses wanted to know what measures were being put in place by the Council and its partners to aid social distancing and enable businesses to reopen safely. Businesses also wanted to know what transport measures were in place to encourage footfall back into the city centre and how the city was being promoted to residents and visitors.

Since these original meetings, a great deal of work has been taken by the Council and its partners to support business to reopen safely and ensure a safe and welcome visitor experience for those using the city centre. This includes issuing business guidance packs, extending footstreets and installing visible signage to aid with social distancing and increase public confidence. The Council has also implemented car parking incentives and, in conjunction with Make it York, developed a bold tourism marketing campaign that promotes York's visitor economy and encourages residents and visitors back to the city.

The work of the Council and its partners drew positive feedback from retailers, hospitality and tourism businesses through the roundtables. Businesses reported that:

- First few days of opening were very good for trade;
- High conversion rate and average spend;
- Customers generally feel safe;

- A boost in footfall from hospitality reopening;
- Tourism bookings are beginning to come in for July and August;
- City of York Council praised for reopening support and rent deferment;
- Limited public transport use and scheduling is an issue;
- Neighbouring market towns are benefiting from local shopping to the detriment of York city centre;
- There needs to be a consistent message to increase consumer confidence and encourage more residents into the city.

Such aforementioned positivity from local businesses in terms of city centre footfall and visitor spend is supported by data released by the economic think tank Centre for Cities. Centre for Cities have been tracking city and large town economic performance across the UK since the lockdown. Their high streets recovery tracker<sup>1</sup> shows that footfall in York city centre in the first full week of August was at 75% of pre-pandemic levels, far higher than that of major UK cities. For comparison purposes, footfall in Leeds, Cardiff, Oxford, Birmingham, Manchester and London was tracked as being below 50% of pre-pandemic levels. In terms of visitor spend, the data is even more promising – spend in York city centre during the same period in August is at 97% of pre-pandemic levels, indicating that city centre visitors are spending more now than they were before lockdown.

While York city centre's fast return to pre-pandemic levels of activity is a strong cause for optimism, it masks further work required to encourage residents into the city centre – a long-standing challenge for the city. Centre for Cities' data shows that before lockdown two-thirds of city centre visitors came from outside of York – this has not changed post-lockdown. City of York Council's Tourism Marketing Strategy, developed in conjunction with Make it York, seeks to attract local residents and visitors to the city centre through a carefully curated programme of activity from August to December 2020. The Council and its partners will closely monitor city centre footfall and spend data over the coming months and beyond to assess the effectiveness of such activities and respond accordingly.

### **Current issues faced by businesses in response to Covid-19:**

- Access to finance;
- Consumer confidence;
- Valid insurance cover a concern;
- Interpretation of government guidance;
- High rent costs;

<sup>1</sup> <https://www.centreforcities.org/data/high-streets-recovery-tracker/>



- PPE – costs and availability;
- Mental health issues for staff working remotely;
- Business development - harder to find new clients virtually as opposed to face-to-face;
- Financial support for freelancers.

It is clear from the discussions held that traditionally office-based businesses are thinking about a return to the workplace but face challenges when staff have been accustomed to working from home during lockdown. Although some attendees raised concerns around employee mental health, overall, staff have adapted well to the demands of working from home and are finding new ways to work with colleagues and customers. There is potentially a growing issue within the Professional Services sector over the amount of unused holiday allowance and how businesses are approaching that; balancing enforcing leave with being mindful of the impact that may have whilst needing to maintain sufficient resources to meet business needs. There was widespread support for staff being involved in key business decisions regarding holiday allowances and returning to the workplace, with examples of employers asking staff for their suggestions drawn upon.

York's IT & digital sectors are generally trading well as clients seek to expand their online presence and embrace digital technology, although there are some concerns over how long this upturn will continue. Cultural organisations and those involved in performance were pleased with the government's recently announced support measures, but were still very concerned about their medium to long-term future. Staff coming off furlough was identified as being financially problematic for businesses in this sector, with possible redundancies mentioned. Successful examples of business diversification were raised, such as the National Centre for Early Music's online streaming festival, but businesses highlighted the costs required for such activity at a time when income is either limited or non-existent. The plight of freelancers was also referred to as a notable gap in terms of current Government support, as well as small music venues.

York's public transport operators were pleased with the relaxation of social distancing rules to 1m plus, which enables a significant increase in capacity. Public transport operators spoke of the importance of safety messaging in raising public confidence to use buses and trains. It was suggested that a softer message around using public transport was needed if the city was to see an increase in usage – Government guidance at the time of the roundtable called for people to avoid public transport unless travel was essential.

Larger organisations across York were looking at ways to reduce procurement times and accelerate the delivery of key projects, whilst SMEs called for prompt payments to avoid cash flow difficulties. Ongoing concerns were raised by the Financial Services

sector over the default rate of Bounce Back Loans (BBLs) once repayment periods commence, and high street banks in particular have seen an impact on their ability to deal with new businesses as a result of the time taken to deliver the CBILS & BBLs schemes. Undoubtedly, businesses are taking on a lot of debt to steer their way through Covid-19 and attendees hoped that this debt would not prevent them from accessing additional finance when looking to make future investments in their business.

With regards to current business investment, there appears to be more of an appetite for tech projects. Businesses are looking to improve processes and implement new solutions – a trend accelerated by the pandemic. Cash flow remains an issue however, prompting the need for more flexible payment terms to be set up. In terms of improving processes and implementing innovative solutions, one suggestion that emerged from the Finances Services sector was to consider the overlap between sectors to highlight where each might be able to benefit the other – the need for more cross-sector collaboration in York has been a consistent theme throughout these sector roundtable meetings.

#### **The skills needs of businesses:**

- Upskilling of existing workers;
- Utilisation of technology;
- Communication and marketing skills;
- Leadership and management skills;
- Ability of staff to adapt and change;
- Significant rail industry demand for skills.

In comparison to the other areas discussed, businesses did not have too much to say on their skills needs. This can be put down to the fact that many businesses were emerging from what could be described as ‘survival mode’, whilst other sectors such as retail and hospitality had not long re-opened, with staff still on furlough and consumer demand largely unknown.

From the discussion held, it was clear that many businesses had adapted to online learning. The Manufacturing sector spoke of focussing on upskilling existing workers rather than taking on new recruits, with training taking places across numerous business areas. The pandemic has provided the opportunity for staff to work in different areas of the business, developing new skills and providing them with a better understanding of how the business operates. Manufacturers also spoke of a renewed focus on apprenticeships, and welcomed the Government’s recently announced support measures which incentivised the employment of apprentices.

In terms of skills demand, the Further and Higher Education sector reported that leadership and management, business resilience, and digital skills (including social media) were key areas of need identified by businesses. The gap around leadership and management skills was also highlighted in the Professional Services roundtable, with attendees noting the negative workforce impact caused by poor communication and a lack of empathy from staff in leadership positions. Attendees also raised concerns over there being potentially fewer jobs available in the Professional Services sector due to Covid-19, limiting the number of new entrants to the sector and stifling succession planning. Another issue raised in light of Covid-19 was the difficulty in onboarding new recruits remotely, an issue also raised in the Bio-economy/Life Sciences sector roundtable.

The pandemic has shown the need for employees to be more adaptable and technologically adept. The increasing digitisation of products and services across industry has increased the demand for web developers, copywriters and other enabling skills and services. Moving beyond specific skills gaps, the Rail/Transport roundtable saw attendees identify an industry-wide need for skills (both new entrants and industry returners) to respond to major infrastructure projects such as High Speed 2 and Northern Powerhouse Rail, and tackle global industrial challenges such as decarbonisation. Attendees at the Bio-economy/Life Sciences roundtable highlighted a limited local talent pool as a key skills issue for the sector.

### **Barriers to Recovery**

- Finance;
- Use of technology;
- Limited availability of commercial premises;
- Promoting York as a place to do business;
- York's road infrastructure and broader connectivity;
- Skills;
- Support to change sectors/adapt business models.

Across the 13 sector roundtables that took place as part of the second round of meetings, businesses raised a wide range of barriers to recovery. One of the most frequent barriers that businesses identified was finance; finance to enable businesses to invest in new technology and equipment, as well as finance to aid business diversification. The Hospitality sector also highlighted the difficulty in bringing staff back from furlough and the financial impact of the extra salary contributions now required from employers, whilst high commercial rents was raised as a financial barrier by the Foundation Services sector. Although attendees welcomed the government's

Covid-19 business support grants, distributed by City of York Council, they noted that they do little to cover their ongoing rent commitments in the city centre.

Skills and talent was another barrier to recovery raised by businesses taking part in the sector roundtables. The Further and Higher Education sector noted that additional IT skills were needed to support training provision, as well as the provision of green skills to deliver on the Government's low carbon agenda. The IT, Digital and Creative roundtable highlighted potential skills challenges as a result of Brexit, namely reducing businesses' access to talent. The lack of digital skills amongst B2C businesses was highlighted as a barrier to recovery in the Foundation Services sector roundtable with attendees recognising the importance of e-commerce to business survival and growth.

York's transport infrastructure and connectivity was also highlighted as a barrier to recovery, with attendees at the Manufacturing sector roundtable citing the city's road network as a barrier to growth. The Professional Services sector called for better cycling infrastructure, whilst the Foundation Services sector emphasised that cycle routes needed to be safe. The latter also called for more affordable car parking and greater flexibility in terms of parking incentives, in an effort to encourage residents to return to the city centre.

### **On commercial space needs**

Several roundtables raised the limited availability of commercial space in York as a significant barrier to economic recovery. The Manufacturing sector bemoaned the lack of light industrial and warehousing space and the high cost of such space in comparison to neighbouring areas, whilst the Professional Services sector emphasised the need for more flexible office space in the city - a view shared by the Financial Services sector. The common view is that the cost and length of leases in the city centre is a barrier, especially for smaller businesses. Several roundtables remarked on empty retail units in the city centre and the need to repurpose them for alternate uses, as well as better utilisation of vacant space such as upper floors above shops.

The challenge here is that pension funds are not willing to adjust rents on empty properties as it leads to adjustments in their property valuations and large adjustments to their funding ratios and hence, increased costs at a corporate level. As highlighted in the Retail sector roundtable, this is a national problem that needs to be raised at that level as pension black holes are growing bigger. It is very difficult to persuade landlords who are likely to be pension funds and may have 100 – 150 different properties in their portfolios; they tend to look at the big picture across their portfolio rather than individual properties and therefore convincing them that they need to act in York is a challenge. Attendees at the Property sector roundtable called on the

Council to lead on this issue, suggesting the creation of a local taskforce to tackle the issue of empty commercial premises. They also called for change of use applications to be dealt with quicker, given the current turbulence in the commercial property market caused by Covid-19.

### **Next steps**

#### **Communications activity**

The first round of sector roundtables was followed by timely press activity which communicated the common challenges and the areas of further support required by businesses, and the support measures put in place by the Council and its partners in response to this intelligence. One of the overriding themes from businesses taking part in the first round of sector roundtable meetings was how the city centre would re-open safely and footfall encouraged back into the city. It is clear from the second round of meetings that the measures introduced by the Council and its partners to support businesses to re-open, increase public confidence and aid social distancing have been well received by businesses, and have had a positive impact in terms of city centre footfall and visitor spend. This positivity in city centre trading and vibrancy should be communicated, alongside the data that shows that York is outperforming several comparator cities.

#### **Future sector roundtable activity**

Alongside an update on their current Covid-19 concerns, the third round of sector roundtable meetings will see businesses asked to comment on their premises and workforce needs, highlight any Brexit preparations they are making, and identify what they see as being barriers to innovation and investment. A discussion will also take place on whether businesses would like to see their virtual roundtable continue, and in what format (sector based/themed/networking etc.) and how often (monthly/quarterly/biannually). This feedback will be brought together in a third report and discussed with the city's Business Intelligence Group before deciding how further sector roundtable activity continues.

### **Authors**

Alex Green  
Head of Business, Network Innovation and Inward Investment  
Make it York

Alex Dochery  
Economic Growth Manager  
City of York Council

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**Decision Session – Executive  
Member for Economy and Strategic  
Planning**

**24<sup>th</sup> November 2020**

## **York's Approach to Inward Investment**

### **Summary**

1. Inward Investment is an essential tool of economic development which can help deliver York's vision of well-paid employment in a sustainable economy, boosting inclusive growth with new employment created at all levels, and growing green jobs. There are two elements to inward investment:
  - Foreign Direct Investment (FDI) – where an investor from outside the UK establishes business operations or acquires business assets in York
  - UK-owned businesses either relocating or expanding into York.
2. Inward Investment involves work to:
  - promote York as an investment destination
  - identify and target potential investors in specific sectors
  - develop options for investment sites and for talent attraction
  - support investors in making their business case
  - welcome new and future investors to the city
  - support the growth of those businesses to cement their presence and increase economic impact
3. In York, inward investment has been led by Make it York since 2015, alongside Tourism and other business-focused activity. They have focussed their small resource on responding to enquiries through national channels and their website. This report outlines the need for a

renewed focus on inward investment from within the Council, with the aim of helping York to capitalise on the macroeconomic trends being witnessed in light of Covid-19 and EU exit. To ensure that York can effectively compete on a national and global footing, both a proactive and reactive approach to inward investment is required, with the resources placed carefully where they can make the most impact.

4. This will necessitate a new collaborative effort involving the development of a York Inward Investment Prospectus, a strengthening of local, regional and national partnerships, specific financial incentives and budgetary resource to support inward investment activity. This will ensure that we are able to effectively capitalise on the economic opportunities that are presented to the city in response to the pandemic and new global trading relationships that are being forged following EU exit. It will also ensure that we maximise continuing opportunities from our traditional partners within the EU.
5. Inward investment is much more than simply promotional work, and its success depends upon a coordinated effort among key organisations and stakeholders, including the Council, Make it York, our Universities, and landowners and developers. Existing local businesses in our growth sectors also have much to gain from a stronger York economy, and their contribution will also be key in attracting new employers and investors. Strengthening relationships between these organisations lies at the heart of our proposed approach, with the Council having a key role in delivering behind-the-scenes support, while others focus on marketing, making investors welcome, and helping new businesses become part of York's business community.

## **Recommendations**

6. The Executive Member is asked to:
  - 1) Note the contents of the report and approve the Council's approach to inward investment;
  - 2) To approve the creation of a York prospectus that outlines the city's inward investment offer and sector-specific propositions.

Reason: To attract inward investment to York, boosting economic activity and creating new jobs.



## Introduction

7. Inward Investment is an important source of economic activity and employment for the UK. In 2019/2020 financial year, the UK attracted 1,852 new Foreign Direct Investment (FDI) projects, creating 56,117 new jobs, and safeguarding 9,021 jobs.<sup>1</sup>
8. Of these 1,852 new FDI projects, the Yorkshire and the Humber region attracted 104 projects, creating 2,264 jobs and safeguarding 351 jobs. York has attracted two FDI projects over the same period, creating 18 jobs.
9. Data from the Department for International Trade (DIT) on new projects and jobs from FDI into the UK shows that London continues to outperform the rest of regions across the UK, accounting for 34% of all FDI in 2019-20. This represents a long-term trend with regards to foreign direct investment. Indeed, the share of FDI going to the capital cities in England, Scotland and Wales and the members of the Core Cities group, excluding Belfast, increased from 31% of the total in 1997 to 67% in 2019.<sup>2</sup> During this period, every place type identified by the Centre for Towns except for the abovementioned cities has seen its share of FDI fall. This demonstrates that the government has significant work to do if it is to achieve its levelling up agenda, and ensure that all regions of the UK are to reap the benefits of inward investment.
10. Of course, FDI only represents one side of inward investment; the other is UK-owned businesses either relocating or expanding domestically. This activity is not supported by DIT, with local authorities and local enterprise partnerships (LEPs) leading on this across England.
11. In York, inward investment is predominantly led by Make it York, the Council's arms-length organisation established in 2015 to lead on business engagement, business support and inward investment, and the marketing and promotion of the city's visitor economy. Despite this specific focus, the reality is that in recent years there has been little strategic emphasis on inward investment in the city. It is testament to York's economic assets and strong place offer, coupled with the great work of partners such as the University of York, the National Agri-Food Campus (now called York Bio-tech Campus) amongst others, that the city has continued to attract interest from businesses looking to invest in, and locate to York.

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<sup>1</sup> <https://www.gov.uk/government/news/uk-inward-investment-projects-increase-in-2019>

<sup>2</sup> [2020 EY UK Attractiveness Survey](#)

12. Covid-19 offers a unique opportunity to readdress the long-term national imbalance witnessed with regards to inward investment, and for cities such as York to capitalise on current macroeconomic trends. Current interest in York as a business location is high, with businesses in London looking to relocate out of the city (known as “north-shoring”), taking advantage of the rise in remote working, lower values and/or rents for commercial space and better quality of life for staff. There is also an opportunity for York (and neighbouring North Yorkshire) to capitalise on the FDI and trade opportunities being provided through Brexit, with future trade agreements being signed by the Government to deepen the UK’s economic relationships with key sources of investment such as the US, Japan, Australia and New Zealand, as well as with our historic partners closer to home, who remain within the EU.
13. York is well positioned to capitalise on these trends; the city offers businesses and residents fast and direct rail connections to London and other major cities across the UK, superb digital connectivity, an excellent quality of life and access to a vast rural hinterland and the coast. In addition to the above, York benefits from having the highest skills levels of any city in the North, and in York Central, the city has one of the largest city-centre mix-use brownfield sites being developed in the UK.
14. A renewed focus on inward investment is required if York is to capitalise on current macroeconomic trends being witnessed in light of Covid-19. This will necessitate developing both generic and sector-specific propositions to attract high quality inward investment to the city, as well as fostering stronger relationships with key partners such as York and North Yorkshire LEP (Y&NY LEP), DIT, City of London Corporation and UK embassies.

### **Our Proposed Approach**

15. To ensure that York can effectively compete on a national and global footing, both a proactive and reactive approach to inward investment is required. These two approaches are outlined below, but in practice will need to work in conjunction with one another.
16. A proactive approach to inward investment will see the city seek to attract specific sectors and businesses to the city. This will see inward investment efforts concentrated on the city’s key growth sectors, and its innovation strengths. This includes rail, bio- and life sciences, creative and digital/ICT and financial and professional services, as well as capitalising on the city’s world-leading research strengths (artificial

intelligence and assured autonomy, computer science, immersive storytelling and the bio-economy).

17. York's key growth sectors and innovation strengths align well with sectoral FDI trends being witnessed in the UK over the last decade. The five sectors generating the most UK projects in 2019 were digital tech, accounting for 39% of all FDI, followed by business services, finance, machinery and equipment, and agri-food businesses in smaller proportional terms.<sup>3</sup> Research and development (R&D) FDI projects between 2018 and 2019 have increased by 37.8%, highlighting investor interest in UK-based innovation activity, whilst Headquarter (HQ) FDIs have increase by 242% over the same period indicating that the dampening impact of Brexit on this activity may have passed its peak.<sup>4</sup> HQ investments tend to provide relatively high-value employment with the potential for further related investments in future, although it should be noted that sometimes a first small office in a new country is classified as a HQ. The other FDI activity that witnessed growth between 2018 and 2019 was back office functions, growing by 14%.
18. In addition to the above, investors have cited digital tech, climate change and health as being high potential opportunity sectors over the long term.<sup>5</sup> All three are sectors where York has particular strengths, and should underpin the city's approach to inward investment.
19. This sectoral approach to inward investment mirrors the aspirations set out by the Council with regards to the range of occupiers envisaged for York Central. In a [Brief to the Master Developers](#) endorsed by the Executive Member for Economy and Strategic Planning at his Decision Session on 9<sup>th</sup> September 2019, we outlined the need to grow well-paid employment in the city through the provision of more workspace for York's key growth sectors. This included a focus on graduate-level jobs, working in conjunction with our universities, but also good jobs for non-graduates and training opportunities for people to retrain for the jobs of the future.
20. The Council's new approach to inward investment will work in conjunction with Make it York, the Universities and the York Central Partnership in promoting York Central to key target sectors and businesses. Whilst the list of target sectors set out by the Brief is in line with York's key growth sectors and innovation strengths, there is a need to rethink the commercial space mix following Covid-19 and the

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<sup>3</sup> [2020 EY UK Attractiveness Survey](#)

<sup>4</sup> [2020 EY UK Attractiveness Survey](#)

<sup>5</sup> [2020 EY UK Attractiveness Survey](#)

workspace trends arising from the pandemic. For instance, purpose designed new format offices concentrating on creative spaces for collaboration and meeting in an inspiring environment, but with much reduced desk capacity, would support current and future working patterns much better than more traditional spaces.

21. A reactive approach to inward investment will see the city continue to respond effectively to investment enquiries received through the usual channels (DIT, LEP, Universities, and direct enquiries to Make it York or the Council). We are advocating working closely with our colleagues at Y&NY LEP to position York and the wider region as a great place to invest and locate a business. While the City of York might not be able to accommodate every inward investment enquiry that we receive, nor would every inward investment enquiry be a good economic fit for the city, these investment opportunities might be well situated elsewhere in North Yorkshire.
22. By working collaboratively with the LEP and its constituent local authorities to promote York and the wider North Yorkshire region as a great place to invest and locate a business, our city will be able to benefit from inward investment located elsewhere in the LEP area through strengthening local and regional supply chains, and newcomers to the sub-region choosing to call York home, and/or supporting our visitor economy.
23. Critical to both approaches is the creation of a York prospectus that outlines the city's economic assets, sector-specific propositions, inward investment offer and the broader place offer of York and its neighbouring hinterland.

### **A York Inward Investment Prospectus**

24. EY's 2019 UK Attractiveness Survey provides a useful summary of what foreign investors look for before deciding to invest in a location.<sup>6</sup> This is summarised as follows:
  - Transport and technological infrastructure – 34%;
  - Availability of skills and local workforce – 32%;
  - Availability of business partners and suppliers – 23%;
  - Local labour costs – 18%;

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<sup>6</sup> [2019 EY UK Attractiveness Survey](#)

- Cost and availability of real estate locally – 15%;
- Strength of business networks locally – 12%;
- Access to regional grants and incentives for investment – 10%
- Local quality of life such as cultural and sporting events – 9%;
- Support for regional economic advisory bodies – 8%; and,
- Strength of local education both trade and academic – 8%.

25. In short, infrastructure assets (physical and digital), workforce skills, the cost of doing business, business networks and supply chain strengths, quality of place, the local offer in terms of education, culture and sport, are all important areas of focus when businesses look to invest in a location. Any further incentives, whether in terms of financial subsidy or other assistance, are what can then make the difference to potential investors. These headings provide a useful structure to follow in developing an inward investment prospectus, and highlight the key areas for us to focus on when promoting the city's offer to businesses looking to relocate to the city. We propose to follow this structure when developing York's Inward Investment Prospectus.
26. In light of the above, it is clear that York has a lot to offer as a business location with the city's strengths strongly aligning with what investors look for before deciding to invest in a location. Our physical connectivity with the rest of the UK and further afield provides a distinct advantage to businesses located in the city. York sits at the heart of the UK's rail network, with direct trains to the UK's major cities - London is less than 2 hours away by rail, Edinburgh under 2 hours and a half, and Leeds is less than 30 minutes away. Trains from York also directly serve Manchester and Birmingham airports and allow passengers travelling into London the opportunity of a short hop across from Kings Cross to St Pancras International and the Eurostar. Looking towards the future, York will continue to be at the strategic centre of the UK's rail network with connectivity improved by HS2 and Northern Powerhouse Rail.
27. York is also the UK's first 'Gigabit City', providing businesses and residents with leading edge digital connectivity. This connectivity makes York the perfect city for homeworking, a claim supported by Uswitch's

recent Remote Working Index which ranked York in the top ten for the best places to work from home in the UK, beating the UK's bigger cities.<sup>7</sup>

28. York's also benefits from having the highest skills levels of any city across the North – just under half of York residents are educated to NVQ Level 4 and higher, outstripping regional and national averages. Home to two universities, two further education colleges and an Institute of Technology, each with their specific strengths, the city is well positioned to meet the needs of local businesses and new investors. In addition to the above, the city is well connected to a wider regional network of universities and home to top ranking schools.
29. The aforementioned discussion has already highlighted York's diverse range of growth sectors and innovation assets. Businesses located in the city are supported by a strong professional services sector delivering top-class services to clients situated in York, the region and beyond. The city also has a great range of business support networks, fostering strong links between businesses and across sectors.
30. Another key selling point for business looking to invest in York is that the city offers good value for money, especially in comparison to London and the South East. Land values and rents for commercial space in York are lower than in the South and the money that companies spend on staff will go further in the city.
31. York also benefits from an unrivalled quality of life offer. The city's well preserved history, exceptional culture and dynamic leisure offer attracts 8.4m visitors a year, and York can be regularly found amongst UK best places to live lists. This strong place offer is further supported by the city's close proximity to the natural beauty of North Yorkshire's two national parks, countryside and coast.
32. Finally, financial and other incentives are an important tool to have when looking to attract inward investment, particularly when businesses have a choice of locations. Historically the City of York has been able to benefit from the grant funding that is available to businesses relocating to Leeds City Region (LCR). This has included grants from £10k to £250k for businesses in LCR's key growth sectors and/or their direct supply chain planning to invest in the city region and create new jobs, as well as a Digital Inward Investment Fund which provides grant funding of £10k to £50k for digital business looking to set up a new operation in LCR.<sup>8</sup> LCR's Revolving Investment Fund can provide short term, commercial

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<sup>7</sup> [Uswitch Remote Working Index](#)

<sup>8</sup> <https://www.investleedscityregion.com/business-support/funding/>

loans of over £1m to support infrastructure and construction projects which help to deliver economic growth and job creation within the city region.

33. However, the abovementioned funding streams are no longer available to businesses seeking to relocate and/or invest in York following the Government's review of LEPs across England. One of the reforms implemented by government was the removal of overlapping boundaries – directly impacting City of York as a constituent member of LCR LEP (along with Craven, Selby District and Harrogate Borough). York is now only a constituent member of Y&NY LEP, although City of York Council has retained associate membership of West Yorkshire Combined Authority due to the economic interdependence between our city and Leeds and the city's transport fund.
34. Since these changes in governance arrangements, officers from the Council's Economic Growth team and Make it York have been working collaboratively with Y&NY LEP to help develop its inward investment function to meet the needs of York and the wider LEP geography. If Y&NY LEP is to achieve its ambition of York and North Yorkshire becoming a leading location for targeted inward investment in the North, developing a strategic suite of regional grants and incentives to encourage inward investment will be crucial. We will continue to work with Y&NY LEP in developing their approach to inward investment and ensure that York has the pre-requisite support moving forwards.
35. In addition to regional grants and incentives to encourage investment, there are also incentives we can implement locally. The Council's Discretionary Business Rate Discount Policy makes provision for significant business relocations to York in target growth sectors, amongst other ambitions. This policy sees rates relief offered at 1% relief for every new job created up to a maximum of 50% of funding available in the financial year of application and within the State Aid Rules in the first year of relocation/inward investment only, alongside other qualifying criteria.
36. The current financial predicament that the Council finds itself in following Covid-19 means that it would be difficult for such a scheme to be supported at this moment in time, but it is important that these kinds of mechanisms are available to the local authority in seeking to strategically attract businesses to York, especially given the medium to long term return on investment for the Council.

37. Alongside the abovementioned rate relief scheme, there is also a Business Rates Discount Scheme in operation for the York Central Enterprise Zone (EZ), the Council's large mixed-use development site to the west of York Station. This scheme offers two financial incentives to businesses investing in the site:
- A 5-year government backed discount on the business rates payable by occupiers (eligibility criteria applies here and a discount on rates is offered at the discretion of City of York Council with local costs reimbursed by government); and,
  - A 25-year retention by the Council of any uplift in business rates payable in the relevant EZ areas.
38. In seeking to attract businesses to York, it is the first financial incentive here that is of note. However, the scheme is operational over a five-year period from 1 April 2017 and therefore ends 1 April 2022. Given that the enabling infrastructure works for the York Central development have not commenced yet, it would be difficult to see an occupier inhabit the site before the Discount Scheme ends for the site. We propose that discussions with the York Central Partnership, Y&NY LEP, and ultimately central government, take place over the extension of scheme for the purposes of attracting inward investment to the site.
39. Grants, rate relief and other incentives are important tools to have when it comes to attracting inward investment to York, but as this report has highlighted, York already offers a significant range of economic advantages. Our high-performing education system, from our primary schools through to our Colleges and Universities, also offer businesses a complimentary range of services and the ability to tailor skills supply to meet business needs.

## **Trade Support**

40. Alongside developing a renewed focus on inward investment in York, it is important that local businesses seeking to develop their overseas trade offer receive the support and know how they need to expand into new markets. Whilst discussions with the EU are ongoing over a future trade agreement, the Government is forging new trading relationship around the world and with key sources of investment, and local businesses need to know how they can take advantage of these new trade arrangements to grow exports and achieve productivity gains.



41. We will continue to work with DIT and Y&NY LEP to ensure that local businesses seeking to export and expand into new markets receive the prerequisite support to develop their overseas trade offer.

### **Partnership Working and Resources**

42. The current macroeconomic trends being witnessed in light of Covid-19 and EU exit offers a unique opportunity for York to capitalise on inward investment moving away from London and the Core Cities group. This will require strengthening our relationships with Y&NY LEP and DIT, and developing new relationships with the City of London and the UK's embassy network. By utilising these partners and their networks to help sell York's inward investment offer, we can amplify our message to businesses on why York is a great place to invest and locate in. Key to this is ensuring that York's inward investment offer is clearly articulated and well understood by partners, and therefore budget is required to support the creation of an inward investment-focused online portal and marketing collateral. Together with the Executive Member for Economy and Strategic Planning and partners, we will explore how we can secure budget to support this work.
43. In addition to the above, a renewed local focus on inward investment also requires the prerequisite officer resource to deliver the approach set out in this report. It is important that inward investment activity is not viewed in the same light as tourism marketing, the latter also a focus of Make it York through their Visit York brand. Inward investment, done in the right way, requires a specific skill set, clear propositions and strong partnership working. The Council's current inward investment resource consists of 1 FTE at Make It York, a proportion of Make it York's Head of Business, Network Innovation and Inward Investment's role, an even smaller proportion of the roles being carried out by the Council's Head of Economic Growth and Economic Growth Manager. We have shown above the range of Council services that need to be engaged if Inward Investment is to be effective, and this spread resource must work more closely if we are to make the most of York's outstanding offer as a business location.
44. However, this resource is not sufficient if York is to put its best foot forward and capitalise on the inward investment opportunities presented by macro-economic trends and EU exit. Sustained funding to expand the city's inward investment resource is required if we are to effectively maximise the economic opportunities that have been presented to us. This will include developing Make it York's role in marketing the city, the Council's role in supporting development, and our schools, Colleges and

Universities' focus on developing skilled and rounded potential employees. It will also need to build on our partnership across York's business networks.

45. Finally, York is home to a number of strategic business leaders living and working in the city who are eager to see the city continue to prosper. As part of our work on inward investment, we will create an inward investment working group made up of relevant officers from the Council, Make it York, Y&NY LEP, the University of York, and the private sector to help guide the development of York's inward investment proposition, better combine resources, and maximise lobbying and promotional opportunities. Updates from this working group will be provided to the Executive Member for Economy and Strategic Planning through his Quarterly Economic Updates.

### **Consultation**

46. Consultation on our approach to inward investment will take place through weekly intelligence calls with key partners, the civic partnership structures, and regular updates to the Executive Member for Economy and Strategic Planning through his Decision Sessions. We will also create an inward investment working group made up of relevant officers from the Council, Make it York, Y&NY LEP, the University of York, and the private sector to help guide the development of York's inward investment proposition.

### **Council Plan**

47. Our work addresses the following outcomes from the Council Plan:
- Well-paid jobs and an inclusive economy; and,
  - An open and effective council.

### **Implications**

- **Financial** – no direct implications resulting from this report;
- **Human Resources (HR)** – no implications;
- **One Planet Council / Equalities** – no implications;
- **Legal** – no implications;
- **Crime and Disorder** – no implications;
- **Information Technology (IT)** – no implications;
- **Property** – no direct implications.

## Risk Management

There are no specific risks identified in respect of the recommendations.

## Contact Details

**Author:**

Alex Dochery  
Economic Growth Manager  
Economy & Place  
x2080

**Chief Officer Responsible for the report:**

**Tracey Carter**  
**Interim Director of Place**

**Report**  **Date: 12.11.2020**  
**Approved**

**Wards Affected:** List wards or tick box to indicate all **All**

**For further information please contact the author of the report**

## List of Abbreviations Used in this Report

DIT – Department for International Trade  
FDI – Foreign Direct Investment  
HQ – Headquarter  
ICT – Information and Communications Technology  
LCR – Leeds City Region  
LEP – Local Enterprise Partnership  
R&D – Research and Development  
Y&NY – York and North Yorkshire

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**Decision session – Executive Member for  
Economy and Strategic Planning**

**24 November 2020**

*Report of the Assistant Director Education and Skills*  
**City of York Council – Apprenticeship Levy Transfer Strategy**

**Summary**

1. This report recommends that the council promotes its apprenticeship levy transfer service to:
  - i. support micro, SME, public sector and VCSE organisations to benefit from any of the council’s unallocated levy funds, up to a maximum of 20% (threshold for reviewing allocated funds) and,
  - ii. encourage other local levy paying businesses and public sector organisations to do similar.

This will help to ensure that any unallocated apprenticeship levy funding is reinvested in York to support local priorities, rather than it being lost to the city.

2. It also suggests the framework through which local employers (micro, SME, public sector and VCSE) can apply to receive a transfer of the council’s unallocated levy funds to support new apprenticeship starts within their organisation.

**Recommendation**

3. The Executive Member is asked to:
  - i. Confirm the council’s commitment to transfer any of its unallocated annual apprenticeship levy funds, up to a maximum of 20% (threshold for reviewing allocated funds), to local employers to support the city’s economic recovery.
  - ii. Agree the framework through which local micro, SME, public sector and VCSE organisations can apply to receive a transfer of the council’s unallocated levy funds to support new apprenticeship starts within their organisation.

- iii. Note the expansion of the Council Apprenticeship Task Group's remit to include decision-making on applications for Levy Transfer.
- iv. Agree that the City of York Council can actively promote the opportunity for local micro, SME, public sector and VCSE organisations to benefit from the council's apprenticeship levy transfer service and its support for other local levy paying businesses to do similar.

Reason: To support local businesses (large and small) to make use of any unallocated apprenticeship levy funding, by reinvesting it in the city to support local priorities

### **Background**

4. Businesses with an annual wage bill of more than £3m are required to set aside 0.5% of their payroll for apprenticeship training – this is known as the Apprenticeship Levy.
5. Levy funds are accrued on a monthly basis, with any unspent monies being returned to Central Government (“clawed back”) on a rolling 24 month cycle e.g. If not all funds set aside in April 2017 had been spent by April 2019 the underspend was ‘clawed back’.
6. In April 2019 the Government made it possible for all Levy paying employers to transfer up to 25% of their annual Levy funds to other employers and organisations. For instance, within the supply chain, across industry and with council and regional partners. This transfer can only be made to organisations who are signed up to the Digital Apprenticeship Service (DAS).
7. The funds can only be used to pay for training and assessment for apprenticeship standards, and for new apprenticeship starts.
8. In early 2020, the council worked with the Local Government Association under their Accelerator programme to engage colleagues in the development of a Council Apprenticeship Strategy. The proposal that the council could support apprenticeship starts in York by transferring up to 20% of its annual levy to non-levy paying businesses received support from the Council Leader.

## Opportunity

9. In the Summer Budget Statement (response to Covid-19), the Chancellor announced a package of measures to support people into employment. This included additional payments for employers who take on 'new' apprenticeship starts during the subsequent six months (August 2020 – January 2021 inclusive). In brief:

A new, additional £2,000 payment to employers for each 'new' apprenticeship start under 25, and £1,500 for over 25. So that means:

  - an apprentice aged 16-18 will attract £3,000 (new £2,000 + £1,000 existing incentive in place)
  - an apprentice aged 19-24 will attract £2,000
  - an apprentice aged 25 or older will attract £1,500
10. The council's Skills Team already provides support to local employers through the impartial York Apprenticeship Hub and works with North Yorkshire County Council and Leeds City Region Apprenticeship Levy Support Service to help York-based SMEs seeking a transfer of levy funds. To date four York-based businesses have applied for support with a total commitment of £80,000 having been requested.
11. Since lockdown, local demand for apprentices has significantly declined but apprenticeships could have a key role to play in York's economic recovery, particularly if SMEs are encouraged to take on those aged 24 and under, who are being economically impacted by Covid-19 (according to Jobcentre Plus, we have circa 1,100 unemployed young people aged 16-24). Benefits to business include growing their own, local and resilient workforce - with a minimum employee commitment that matches the term of the apprenticeship.
12. Even before Covid-19, the salary and 5% training costs of a new apprentice (perceived as an inexperienced employee) were key barriers for SMEs and, for non-levy paying employers, the choice of training provider can also be more limited.
13. The Chancellor's funding announcement has the potential to stimulate demand for apprentices by helping to mitigate the first financial barrier (salary). By offering to transfer levy funds to local SMEs, the council

would in effect cover the 5% training cost for these employers and consequently, help to broaden their choice of training provider.

14. In turn, it will enable training providers to engage with more local businesses and has the potential to influence York's apprenticeship provider network to develop more local provision.
15. It would also help to demonstrate the benefits of utilising unallocated levy within the local area and prepare businesses, large and small, to make the most of the apprenticeship expansion plans and system reforms announced by the Prime Minister on 29 September. Details are still to be released but the aim is *"that unspent funds can be used more easily to support apprenticeships not just in big companies, but in the SMEs where there is so much potential for job creation."*

### **Apprenticeship Levy Funds**

16. City of York Council's levy pot currently accrues approximately £500,000 per annum. Therefore, transferring up to 20% would equate to a maximum of £100,000 p.a. (subject to the number of apprenticeships within the council). Dependent upon the level, subject and duration of apprenticeship, this could potentially cover the costs of training between 9 and 30 apprentices per year.
17. The funds in the pot currently stand at approx. £1m and implementing the transfer strategy would help to ensure circa £38,000 per month (projections to March 2021) is retained within the city and not 'clawed back'.
18. It is unlikely that the council will be able to spend its full levy in the short term. Whilst the number of apprentices increased in 2019 to 44 new starts (22 in 2018), this fell to 31 in 2020.
19. Whilst the reduction in numbers was mainly due to Covid restrictions, there were also concerns from managers about the complexity of apprenticeships and requirement to find salary costs. Current budget restrictions will mean that numbers will continue to be low in the short term but should increase as the focus shifts to future workforce plans and requirements.



20. The council's strategy to date has predominately used apprenticeships to provide entry level opportunities for young people, which was beneficial in starting to address our workforce age profile. However, this has meant that we have looked for individual opportunities rather than looking at large cohorts of individuals all undertaking the same qualification.
21. Other councils have chosen to focus on high value apprenticeships such as Level 7 Leadership and Management in order to increase their levy spend. However, the Government has indicated that they do not believe the investment in high level management apprenticeships to be an appropriate use of the Levy.
22. Agreeing a strategy for levy transfer does not prohibit the council from utilising more, or indeed all, of its levy funds but will ensure that York benefits from a reinvestment of any unallocated council apprenticeship levy funding to support local priorities.

## Priorities

23. In order to support York's economic recovery and help deliver our Council Plan 2019-2023, it is suggested that City of York Council should transfer Levy to employers who meet the following criteria:
- i. A micro, SME, public sector or VCSE organisation based within the York Local Authority boundary or who supplies good or services as part of the City of York Council's supply chain,
  - ii. and is offering a new apprenticeship start that supports one or more of the following priorities:

Council Plan Outcome	Description	Priority sector / apprenticeship area*
Well paid jobs and an inclusive economy	High-skilled and better-paid jobs in sustainable businesses, providing opportunities for all York's people in an inclusive economy	Initiatives which support the development of a workforce that meets the social and economic needs of the city: <ul style="list-style-type: none"> <li>• Women and young people into STEM roles</li> <li>• Entry level roles (Level 2 or 3) to support young people (aged 16-24) and those hardest to reach into work e.g. Not in Employment, Education or Training, care leavers, long term unemployed,</li> <li>• Higher-level technical skills in growth sectors, such as Rail.</li> <li>• Cybersecurity &amp; digital roles in all sectors</li> </ul>
A greener and cleaner city	York's environment is protected and enhanced through investment in the council's frontline services working towards becoming a carbon neutral city by 2030	<ul style="list-style-type: none"> <li>• Reskilling of those in roles impacted by automation</li> <li>• Development of skills that support adoption of sustainable business processes or technology</li> <li>• Bio-economy, agri-tech and digi-tech sectors</li> </ul>
Getting around sustainably	More people choose to travel by public transport, walking or cycling, benefiting from improved roads, footpaths and cycle routes across the city, cutting congestion, pollution and carbon emissions as part of renewed efforts to tackle the climate emergency	<ul style="list-style-type: none"> <li>• Electric vehicle maintenance</li> <li>• Initiatives that support community behaviour change / use of sustainable transport</li> </ul>

Good health and wellbeing	Every resident enjoys the best possible health and wellbeing throughout their life	<ul style="list-style-type: none"> <li>• Initiatives that support mental wellbeing, including mental-health first aid</li> <li>• Health and social care – e.g. Nursing Associate, Care Leadership Management and associated pathways</li> <li>• Health-related initiatives that support people into work</li> </ul>
Safe communities and culture for all	Residents live safe from harm as part of strong and vibrant communities, participating in their local area and have access to a range of quality cultural activities	<ul style="list-style-type: none"> <li>• Digital inclusion</li> <li>• Creative and Heritage sectors</li> <li>• Initiatives which promote equality, tackle discrimination and support York Armed Forces Covenant</li> </ul>
Creating homes and world-class infrastructure	The right housing is available, affordable and environmentally sustainable for everyone with good quality infrastructure that supports community and local businesses	<ul style="list-style-type: none"> <li>• Local supply chain construction contractors – job creation and workforce upskilling (e.g. green construction Skills)</li> <li>• Accredited suppliers under recognised schemes e.g. Government Green Homes Grant</li> </ul>
A better start for children and young people	Families, carers and schools are supported so that every child and young person has the opportunity to develop, learn and achieve their aspirations	<ul style="list-style-type: none"> <li>• Early years settings</li> <li>• SME, public sector and VCSE providers of wraparound services e.g. before or after-school clubs</li> <li>• Non-levy paying schools</li> </ul>
An open and effective council	We work as an efficient, open, transparent, democratically-led and accountable organisation, in partnership with key stakeholders, to deliver on residents' priorities and achieve the council plan outcome for our city	VCSE organisations that support the Council to engage with, represent the needs of, and provide services to York's residents and businesses e.g. those who provide IAG and help people gain the vocational and soft skills employers needed for employment.

\*Demand for support could outweigh transfer funds available in any one period. Therefore, in developing a process for determining who to support, priority will be given to applications that meet City of York Council's target sectors and apprenticeship areas detailed above. However, consideration will be given to any application that demonstrates alignment with the objectives set out in the Council Plan 2019-2023.

Opportunities for SME apprentices to join a council apprenticeship cohort will also be considered.

Applicants may be asked to review/revise an application to enable the council to maximise benefit to the local area.

## **Communications**

24. It is suggested that the launch of this strategy aligns with the Council's external communications on the Government funding and the support available to businesses through York's impartial Apprenticeship Hub.

## **Resource**

25. Additional HR resource is currently being recruited to manage utilisation of the council's apprenticeship levy funds. They will also develop and manage the application and wider administration (Digital Apprenticeship Service) processes.
26. Existing business engagement resource (Council and Make It York) will continue to advise and refer businesses into the Apprenticeship Hub. The Business Engagement Officer within the Skills Team already provides advice and guidance to businesses wishing to utilise public-funded skills provision, such as apprenticeship funding. This includes a limited transfer service by signposting SMEs in need of levy transfer to partners at North Yorkshire County Council and Leeds City Region Apprenticeship Levy Support Service, who can facilitate transfer. However, by promoting its own transfer service, the council will be able to further support local businesses (large and small) to make use of any unallocated apprenticeship levy funding within the City.

## **Decision making**

27. Applications will be assessed against the priorities outlined above (section 23). It is suggested that the remit of the Council Apprenticeship Task Group be expanded to include decision-making on applications for City of York Council Levy Transfer.
28. Headline updates can also be provided at meetings of the School Apprenticeship Panel for information only.
29. The council may wish to consider ring-fencing funds to focus on particular priorities (age groups, sectors, immediate and longer-term needs) or to reflect the proportion of unallocated Levy that was set aside by Local Authority maintained schools. However, this additional layer of complexity could have unintended negative consequences e.g. not being able to flex in response to local needs, a perceived lack of accessibility and increased administration.

## Consultation

30. Members of the City of York Council Apprenticeship Task Group have been consulted, with direct contributions made by the Head of HR and Finance Accountant.
31. Views of the School Apprenticeship Panel are reflected in the Priorities and Decision making sections.
32. A discussion with a Senior Solicitor in the Legal Team confirmed no legal implications.

## Council Plan

33. The Council Plan identifies eight priorities, four of which are relevant to this work:
  - Well-paid and an inclusive economy;
  - A better start for children and young people;
  - Safer communities and culture for all;
  - An open and effective council.

## Implications

34. The following implications have been considered:
  - **Financial** - as outlined in 'Apprenticeship Levy Funds' (sections 16 - 17 inclusive)
  - **Human Resources (HR)** – as outlined in 'Apprenticeship Levy Funds' (sections 18 – 22 inclusive) and Resource (section 25)
  - **Equalities** – no implications.
  - **Legal** – no implications as outlined in 'Consultation' (section 32)
  - **Crime and Disorder** – no implications.
  - **Information Technology (IT)** – no implications.
  - **Property** – no implications.

## Risk Management

35. Agreeing a strategy for levy transfer does not prohibit the council from utilising more, or indeed all, of its levy funds but will ensure that York benefits from a reinvestment of any unallocated council apprenticeship levy funding to support local priorities.

## Recommendations

36. The Executive Member is asked to:
- i. Confirm the council's commitment to transfer any of its unallocated annual apprenticeship levy funds, up to a maximum of 20% (threshold for reviewing allocated funds), to local employers to support the city's economic recovery.
  - ii. Agree the framework through which local micro, SME, public sector and VCSE organisations can apply to receive a transfer of the council's unallocated levy funds to support new apprenticeship starts within their organisation.
  - iii. Note the expansion of the Council Apprenticeship Task Group's remit to include decision-making on applications for City of York Council Levy Transfer.
  - iv. Agree that the City of York Council can actively promote the opportunity for local micro, SME, public sector and VCSE organisations to benefit from the council's apprenticeship levy transfer service and its support for other local levy paying businesses to do similar.

Reason: To support local businesses (large and small) to make use of any unallocated apprenticeship levy funding, by reinvesting it in the city to support local priorities.

## Contact Details

### Author:

Alison Edeson  
Skills Team Manager  
Education & Skills

### Chief Officer Responsible for the report:

**Maxine Squire**  
**Assistant Director – Education & Skills**

Report  
Approved

X
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Date 16 November 2020

**Background Papers:** None

**Annexes:** None

### Abbreviations:

Micro - Microbusinesses (normally 1-9 employees)

SME - Small and Medium Enterprises (normally fewer than 250 employees)

VCSE - *Voluntary, Community and Social Enterprises*



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***Decision Session – Executive  
Member for Economy and Strategic  
Planning***

***26<sup>nd</sup> November 2020***

*Report of the Corporate Director Economy and Place  
(Portfolio of the Executive Member for Economy and Strategic  
Planning)*

**Infrastructure Funding Statements (IFS).**

**Summary**

1. The Community Infrastructure Levy (Amendment) (England) (No.2) Regulations 2019 requires a contribution receiving authority to publish an annual Infrastructure Funding Statement (IFS) no later than the 31<sup>st</sup> December 2020.
2. An IFS, amongst other things is intended to act as a statement of the monetary or non-monetary contributions received by a Local Authority.
3. The first statement must cover the previous financial year (1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020). Thereafter Infrastructure Funding Statements need to be published annually, as a minimum.
4. The purpose of Infrastructure Funding Statements is to help local communities and developers see how contributions have been spent and understand what future funds will be spent, ensuring a transparent and accountable system. They can also assist with demonstrating the tangible items of infrastructure that have or will be delivered as a result of developer contributions.

**Recommendation**

5. The Executive Member is asked to note the contents of this report and delegate to the Corporate Director of Economy and Place responsibility to publish the IFS on the Council's web site in

accordance with annual deadlines and in consultation with the Executive Member for Economy and Strategic Planning.

### **Background**

6. The Community Infrastructure Levy (CIL) is a planning charge, first introduced via the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure; it came into force in April 2010 through the Community Infrastructure Regulations 2010.
7. Subsequent amendments made under The Community Infrastructure Levy (Amendment) (England) (No.2) Regulations 2019 have introduced the requirement for contribution collecting authorities to produce Infrastructure Funding Statements to report on the delivery of types of infrastructure and infrastructure projects which have been funded as a result of contributions.
8. In preparing the annual IFS the legislation sets out what information is required to be reported. The annual IFS must comprise of:
  - a. A statement of the infrastructure projects or types of infrastructure which the charging authority intends will be, or may be, wholly or partly funded by CIL.
  - b. A report about CIL, in relation to the previous financial year.
  - c. A report about planning obligations in relation to the reported year.
9. Within the context of the CIL regulations the Council does not currently constitute a 'Charging Authority' as it does not have an adopted CIL Charging Schedule. As a result of this the published IFS needs only to comprise of a report about planning obligations in relation to the reported year.

### **What are Planning Obligations?**

10. Planning obligations are legal obligations entered into to mitigate the impacts of a development proposal.

This can be via planning agreement entered into under Section 106 of the Town and Country Planning Act 1990 by a person with an interest in the land and the local planning authority; or via a unilateral undertaking entered into by a person with an interest in the land without the local planning authority.



Planning obligations run with the land, are legally binding and enforceable. A unilateral undertaking cannot bind the local planning authority because they are not party to it.

11. When a Section 106 Agreement is made the agreement will in the majority of cases set out any financial contributions that are payable under the agreement. It will also include the trigger point at which these payments should be made by the developer. Agreements can also include non-monetary contributions, such as on-site affordable housing units.
12. It is common for financial contributions to be time limited. This usually means that there is a defined time period within which the contributions must be spent or be allocated for spending on their intended projects, or items of infrastructure. If they are not spent in accordance with the agreement the Council can be obliged to refund them to the person(s) who originally paid the contribution, along with any interest accrued during the period in which the monies were held by the Council.
13. Monies secured by way of planning obligations can only be used for the purposes that are set out within the Section 106 Agreement by which they are secured. As such when the monies are received to the Local Authority they are in effect already earmarked for a particular project or type of infrastructure provision. They can also be geographically restricted either to an area in close proximity to the associated development or a particular Ward area.

### **When can planning obligations be sought by the Local Planning Authority?**

14. Planning obligations assist with mitigating the impact of unacceptable development to make it acceptable in planning terms. Planning obligations may only constitute a reason for granting planning permission if they meet the tests that they are necessary to make the development acceptable in planning terms. They must be:
  - a. *Necessary to make the development acceptable in planning terms;*
  - b. *Directly related to the development; and*
  - c. *Fairly and reasonably related in scale and kind to the development.*

15. These tests are set out as statutory tests in regulation 122 (as amended by the 2011 and 2019 CIL Regulations and as policy tests in the National Planning Policy Framework. These tests apply whether or not there is a levy charging schedule for the area.

### **Matters to be included in the annual Infrastructure Funding Statement**

16. In the absence of an adopted CIL Charging Schedule which would allow the Council to collect CIL from liable developments the published IFS only needs to comprise of the Section 106 element.

17. The Section 106 element of the IFS is required to include:

- a. The total amount of money to be provided under any planning obligations entered into during the reported year;
- b. The total amount of money under any planning obligations which was received during the reported year;
- c. The total amount of money under any planning obligations which was received before the reported year which has not been allocated by the authority;
- d. Summary details of any non-monetary contributions to be provided under planning obligations which were entered into during the reported year, including details of-
  - i. In the relation to affordable housing, the total number of units which will be provided;
  - ii. In relation to educational facilities, the number of school places for pupils which will be provided, and the category of school at which they will be provided;
- e. The total amount of money (received under any planning obligations) which was allocated but not spent during the reported year for funding infrastructure;
- f. The total amount of money (received under any planning obligations) which was spent by the authority (including transferring it to another person to spend);

- g. In relation to money (received under planning obligations) which was allocated by the authority but not spent during the reported year, summary details of the items of infrastructure on which the money has been allocated, and the amount of money allocated to each item;
- h. In relation to money (received under planning obligations) which was spent by the authority during the reported year (including transferring it to another person to spend), summary details of-
  - i. The items of infrastructure on which that money (received under planning obligations) was spent, and the amount spent on each item;
  - ii. The amount of money (received under planning obligations) spent on repaying money borrowed, including any interest, with details of the items of infrastructure which that money was used to provide (wholly or in part);
  - iii. The amount of money (received under planning obligations) spent in respect of monitoring (including reporting under regulation 121A) in relation to the delivery of planning obligations;
- i. The total amount of money (received under any planning obligations) during any reported year which was retained at the end of the reported year, and where any of the retained money has been allocated for the purposes of longer term maintenance (“commuted sums”), also identify separately the total amount of commuted sums held.

18. In some circumstances it will be necessary for some contributions, both monetary and non-monetary to be estimated. The most common instance where an estimation would need to be used would in cases where Outline planning permission has been granted.

19. Typically the granting of Outline planning permission allows for the principle of development to be established along with a set of specified maximum parameters. In these cases the associated Section 106 agreement will then set out the mechanisms and frameworks by which the value or amount of contributions can then be calculated. Final figures will not normally become known until the granting the necessary Reserved Matters applications.

## Example

20. Outline planning permission is granted for a development of up to 100.no new dwellings; 20% of which will be affordable, which is secured via the Section 106 Agreement. This would equate to 20.no affordable units.
21. However as the Outline permission allows for up to 100 dwellings, the 20 affordable units would be the best case scenario. The true amount delivered on site will not be known until the follow up Reserved Matters application is determined and the final total amount of dwellings to be built is known; the developer may decide to pursue a scheme for 95.no dwellings; resulting in 19.no affordable units being required.
22. In scenarios such as this it would be proposed that the figures reported within the IFS are the best case based on the known facts and parameters of the case in the question at the time of writing. This approach would be in line with guidance published in the National Planning Practice Guidance.
23. There will also be cases where the actual amount of money received differs from the figure directly stated in a completed legal agreement. This variation is usually due to contributions being index linked. Therefore as time passes between the point at which the legal agreement is completed and the trigger point of a particular payment, the amount of contribution due can be adjusted to account for inflation.
24. In addition to the matters which must be reported in the Section 106 IFS. There is also an option to include other matters, namely:
  - a. Summary details of any funding or provision of infrastructure which is to be provided through a highway agreement under Section 278 of the Highways Act 1980 which was entered into during the reported year,
  - b. Summary details of any funding or provision of infrastructure under a highway agreement which was provided during the reported year.

25. In preparing the first IFS it is not proposed to include details of matters secured under Section 278 of the Highways Act 1980. This is because these items are optional under the current regulations. It will also provide an opportunity for focusing on the reporting of Section 106 matters which we are obliged to publish.
26. The omission of Section 278 Agreements could be reviewed for future IFS publications.

### **Format of the IFS**

27. Published national guidance provides a high level overview as to a suggested overview of the data format and publication process. The suggested format comprises of three separate CSV (Comma-separated values) files – a tabulated format of data which can be used by most spreadsheet software.
28. Compiling the data into the three separate CSV files would allow for the data within them to be interrogated using spreadsheet software. However the resources required to compile these files would be quite intensive given how the data contained with the various legal agreements is currently stored. Presenting the data in this format may also not be particularly reader friendly.
29. Instead a written report which follows a question and answer type format is considered to be a more appropriate approach to presenting the IFS. This would provide greater opportunity for the document to be readily readable.

### **Future Reporting**

30. It is envisaged that following the publication of the first IFS this will create a baseline from which future statements can be prepared from.
31. The regulations require that an IFS be published annually, as a minimum. There is no specific restriction preventing an IFS being published more regularly. However given the nature of the items that are to be reported it is considered that an annual reporting cycle would be the most appropriate. This would allow the financial year that is to form the subject of the IFS to be closed, thus allowing a greater degree of accuracy and clarity in terms of what is reported.

32. Over time and with enhancements to the monitoring process it may be possible to produce future IFS statements in a less resource intensive manner in alternative or multiple formats through the introduction of more automated practices. Development Services are undertaking work examining the suitability of a dedicated IT system designed specifically for the recording, monitoring and tracking of planning obligations.

## Conclusion

33. The requirement to produce an IFS should be a positive move towards enhancing the accountability and traceability of the planning obligations process. It is an opportunity to enhance the transparency of this element of the planning system. It should allow for communities to gain a clearer understanding of what the planning process can secure in terms of new infrastructure as a result of new development.

34. Enhancing accountability and traceability is not without risk and this is something that as a Council we should be mindful of as we move towards publishing the IFS.

## Consultation

No formal consultation has taken place.

## Council Plan

The following Council priorities are relevant:

- Good health and wellbeing
- A greener and cleaner city
- An open and effective council

## Implications

- **Financial** There are no immediate financial implications. However failure to spend planning obligation monies within the agreed time periods may result in the Council being liable to refund monies received.

- **Human Resources (HR)** The requirement to produce an IFS will result in the need to divert resources into the task from pre-existing work.
- **Equalities** There are no equalities implications
- **Legal** There are no legal implications
- **Crime and Disorder** There are no crime and disorder implications
- **Information Technology (IT)** There are no IT implications
- **Property** There are no property implications
- **Other** There are no other implications

### Risk Management

There are no known risks

### Contact Details

**Author:**

**Chief Officer Responsible for the report:**

**Author's name**

Mark Baldry  
Development  
Management  
Officer

Tel: 01904 552877

**Neil Ferris**

Corporate Director of Economy and Place

**Report  
Approved**

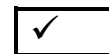


**Date** 12/11/2020

Becky Eades  
Head of Development  
Services

**Wards Affected:**

**All**



**For further information please contact the author of the report**

**Background Papers:** None

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