

**Decision Session – Executive Member for
Economic Development & Community
Engagement (Deputy Leader)**

22 March 2019

Report of the Head of Economic Growth

Economic Update – March 2019

Summary

1. The York Economic Strategy 2016-20 sets out 8 essential to-dos. This report explores progress against those objectives together with the four headline targets of increasing average pay, delivering living and working space, supporting growth in key sectors, and maintaining York's advantages in skills and infrastructure.
2. On headline targets, the challenges of achieving growth which boosts the financial wellbeing of the city are evident. While jobs growth is strong, with more people than ever before working in York, the net effect has been to reduce average pay. This is despite a significant increase in skills levels and the continued roll-out of our UK-leading ultra-fast fibre network.
3. Focussing efforts on the growth of high-value sectors is a necessary objective for the strategy, but it is not sufficient if progress is to be made on increasing prosperity of York's residents. A new emphasis on the lower-paid sectors is also needed, seeking to support productivity growth and thus wage growth.
4. The recent focus on our city centre economy highlights a key strength. Centre for Cities have recently demonstrated that York is second only to Cambridge in terms of the active use of space in the city centre. Our low vacancy rate, with empty shops switching to leisure and hospitality uses, reflects the increasing popularity of York as a retail and leisure destination, both for our residents and for visitors.

5. While significant progress is noted on key projects such as York Central and Castle Gateway, these are not yet at a stage where they are having an impact on the economy. A refinement of the objectives for these key regeneration projects is suggested, together with more specific to-dos relating to transport initiatives.
6. From a planning and land-use perspective, the focus in debates around the local plan on housing numbers is not the key issue for the local economy. Ensuring that sufficient business space is provided to support growth and change in the local economy is a key issue. There is growing evidence to suggest that existing provision is holding back growth, with non-office uses a particular challenge. Again, a refinement of economic strategy objectives is recommended.

Recommendations

7. That the Executive Member for Economic Development and Community Engagement notes the progress that has been made in delivering the York Economic Strategy 2016-20.
8. That the Executive Member for Economic Development and Community Engagement instructs the Head of Economic Growth to bring forward proposals for a revised York Economic Strategy 2020-2024 as an early priority for the next Administration.

Reason: To support economic growth in York.

Background

9. The York economy is strong, with jobs growth in 2017 of 5,000. The city continues to attract significant numbers of visitors and has an ever growing reputation as evidenced by YouGov's recent survey of the UK's favourite cities, in which York came top. In 2018, the Sunday Times identified York as the Best UK City to Live In. By way of context, the most recent Leeds City Region economic update is attached as Appendix A.
10. The current York Economic Strategy was developed in 2015 and launched just after the Brexit referendum in summer 2016. It reflected economic growth forecasts made prior to that decision and recognised the importance of bringing forward a Local Plan and

proposals for York Central. It focussed on 8 essential to-dos as follows:

- a. Deliver York Central & High Speed Hub
- b. Deliver a Local Plan that supports a high value economy
- c. Take practical steps to develop and retain talent
- d. Drive real University and research-led growth in key business areas
- e. Lobby for investment in key transport networks
- f. Use local business rate freedoms to drive high value growth
- g. Make a fresh loud statement of visual and cultural identity
- h. Bring people and businesses together in creative low-cost ways

11. Deliver York Central & High Speed Hub: The York Central Partnership has submitted its masterplan, which will be considered by Planning Committee on 25th March. A decision on the Housing Infrastructure Fund application which will enable access onto the site is expected imminently. Work on York Station frontage is underway, together with improvements to Scarborough Bridge. Engagement with HS2, Northern Powerhouse Rail and Transport for the North continues, with York's key role in the national rail network strongly recognised.
12. While York Central is still some way from delivery – significant commercial space is not expected to be built before 2023 – much progress has been made. The timing is now right to begin the process of finding occupiers for the site, with initial discussions with the York Central Partnership underway. To drive the full economic impact from the site, an occupier strategy is being developed, which the Council hopes will influence decisions by the Partnership as development begins.
13. On the High Speed Hub, the timescales for delivery are still not fully clear. It is becoming increasingly clear that a York Station Masterplan is needed. This would draw together the various proposals for improvements and enhancements of the passenger and transport infrastructure, and set them in an economic context. While the building is not owned by the Council, the benefits of the

station are much broader than just for the railway network, and it may fall to us to lead on such a Masterplan.

14. Deliver a Local Plan that supports a high value economy: With the Draft Local Plan moving into enquiry phase, this todo is nearly done! The policies set out in the Plan seek to support the housing and employment growth which is forecast for the city. From an economic growth perspective, it is York Central which is the key site for growth in employment in higher-paid sectors. The new office space on the site will be key in growing employment in sectors such as rail, financial and professional services, and technology.
15. Beyond York Central, the continued use of existing employment land for businesses, rather than piecemeal change of use to leisure and housing uses, is a key objective in the Plan. This will be particularly important for industrial premises, where the first instinct for the owners of older buildings is to seek either low-investment changes of use or to maximise return on land by converting to housing. In the city centre, this has led to widespread adaptation of offices into hotels and flats, leading to the loss of 1,000 office jobs over the last 10 years.
16. Take practical steps to develop and retain talent: Working with our Universities and Colleges through the Higher York partnership is at the heart of our work on this objective. Over the past year, Higher York has been under review, and little progress has been made on this to do. The key issue here is to develop more graduate employment opportunities in the city, and to ensure that there is the right housing mix to enable younger people to live here. Both of these aspects are well-covered in the Local Plan, and York Central is, again, key to our future success.
17. The York Skills Plan 2017-20 also highlights the importance of this objective, and much of the work delivered under that plan has made a real difference in developing talent across the city. One of the strengths of the Skills Plan is its focus on a broader range of sectors than the current Economic Strategy. In renewing the Strategy, we will seek to build in the work highlighted in the Skills Plan.
18. Drive real University and research-led growth in key business areas: Our Universities continue to grow, both in size and in reputation. University of York's recently launched BioYork programme draws together their expertise in bio-renewables and

plant science to “heal, feed and fuel the future”, and demonstrates the institution’s key role in driving economic growth. This is also evident in their work for the Lloyds Foundation on the assurance of autonomous vehicles, which links closely to York’s strength in the insurance sector. York St John has recently opened a small London campus, and is developing ground-breaking degree apprenticeships in data science. Driving real growth in the local economy from these innovations remains a key objective, linking closely to the York Central occupier strategy.

19. Lobby for investment in key transport networks: Beyond the rail connections discussed above, the road network remains a crucial consideration in supporting growth. Current improvements to the outer ring road will help, but the capacity of the A59, A64 and A19 are all constraints, and the challenges of running effective public transport on our congested roads are not diminishing. This objective will remain important.
20. Use local business rate freedoms to drive high value growth: The York Central Enterprise Zone, with rates relief for occupiers and rates retention as a funding mechanism for the LEP, are the most significant business rates freedoms at present. There is currently provision to use £35m of those receipts to fund the development of the York Central site, using the freedoms we have to drive what is York’s most important location for high value growth.
21. Other rates freedoms are currently driven from a purely financial perspective, not least because rates retention now accounts for 28% of the Council’s net income. However, there is further scope to consider how rates relief might play a part in supporting economic growth as part of a balanced approach to maintaining key income while delivering economic benefit to the city.
22. Make a fresh loud statement of visual and cultural identity: Working with Make It York and key city stakeholders, the Council is beginning a process to develop a new city narrative. This will build on the City’s Cultural Strategy, but must also reflect the experiences of local communities.
23. Bring people and businesses together in creative low-cost ways: The example set the My York Central and My Castle Gateway consultations is now being used in other contexts, ensuring that the full voice of residents and stakeholders is heard for our key

projects. The My City Centre consultation, agreed as part of the 2019/20 budget, will provide a broader application of the approach.

24. In summary: Progress can be shown for each of the essential to-dos, although some will take many years to deliver and others have no fixed end date.
25. Strength of our city centre economy: Recent research by Centre for Cities (<https://www.centreforcities.org/publication/city-centres-past-present-and-future/>) reveals that York has the second lowest vacancy rate of all UK cities, behind only Cambridge. The research looked at the mix of retail, leisure and office in each city. Our strong independent offer, the attractiveness of York to visitors and tourists, and the loyalty of local residents to our city centre over competing local centres are all factors in our success.
26. Part of the reason for our low vacancy rate is that vacant shops have been converted into restaurants and bars. The nature of York city centre property – with many smaller historic buildings – lends itself well to these uses, and our strong visitor numbers, with 7m people coming to York each year, underpins the growth. York is increasingly being recognised as a hub for “foodies”, with the influential Harden’s Guide putting the city at number 8 on its list of food destinations in 2018.
27. Much work has been done over the past year to explore our city centre, as evidenced in the Economy & Place Scrutiny and Policy Development Committees’ reports on the city centre economy. A strong partnership continues to develop, and the bid which is being drafted for the Government’s Future High Street Fund will build on this work.
28. There is one challenge emerging from this strength. Continued employment growth in our hospitality sector – there was a 1,500 increase in the number employed in 2017 alone – is driving down our average pay. The regional median pay in this sector is £8.84 per hour, and 80% of employees earn less than £11.16 per hour. Our target is to increase median pay in York to above the national average, which is currently £14.37 per hour.
29. Our retail employment has also remained strong, bucking the global trend in the sector. Over the last 10 years, the sector has grown 500 new jobs in York, and it remains our largest sector at 17,500

employees in total. In retail, the regional median pay is £11.13 per hour.

30. York's strong city centre economy means that jobs in hotels, shops and restaurants are not expected to decrease in coming years. If we are to increase average in pay, we must therefore look to increase pay in these sectors while also attracting more jobs in higher-paying sectors. Increasing wages is dependent on increasing productivity, and initiatives on this theme in our core sectors would be a sensible way forward.

A renewed York Economic Strategy 2020-24

31. At an Executive Member Decision Session on 23rd July 2018, the Executive Member for Economic Development and Community Engagement agreed a process for developing a refreshed economic strategy for the city.
32. This included a conference in November 2018, held as part of York Business Week, where consideration was given to York's role in our two Local Enterprise Partnerships.
33. The agreed process will involve the preparation of a draft York Economic Strategy 2020-24 for consideration by the new Administration later this summer, and a launch of the refreshed strategy in Autumn 2019.
34. The issues raised in this paper will form part of that refreshed strategy, which will seek to bring together:
 - a. A revised set of objectives, focussing on areas where the Council can make a real difference
 - b. Key aspects of the York Health and Wellbeing Strategy, including the role of employment and the economy in the health and wellbeing of residents, and the health and social care sector as a key employer in the local economy
 - c. Key objectives from the York Skills Plan 2017-20, reviewed against the current labour market
 - d. A refreshed Service Level Agreement for Make It York, aligned with the Strategy and reflected in the Make It York Business Plan

Conclusions

35. York Economic Strategy 2016-2020: There has been good progress on implementing our economic strategy, with our key regeneration projects being central to that delivery.
36. The 8 essential to-dos provide a very wide range of objectives, and a renewed economic strategy should focus more clearly on where we can really make a difference.
37. Beyond the scope of the existing strategy, there is a need to work with our retail and hospitality sectors to increase productivity and thus wages. This should be a key theme of the renewed strategy.
38. The refreshed strategy will be prepared in coming months and presented in draft as an early priority for the new Council Administration in early summer. The intention is to publish and launch the York Economic Strategy 2020-2024 in Autumn 2019.

Council Plan

39. The Council Plan has an objective of developing a prosperous city for all. Our economic strategy is key to that objective.

Implications

40. **Financial** - there are no financial implications.
41. **Human Resources (HR)** - There are no human resource implications.
42. **Equalities** – There are no equalities implications
43. **Legal** - There are no legal implications
44. **Crime and Disorder** - There are no crime and disorder implications
45. **Information Technology (IT)** - There are no information technology implications

46. Property - There are no property implications

47. Other -There are no other implications.

Contact Details

Author:

Simon Brereton
Head of Economic Growth
Tel: 01904 552814
simon.brereton@york.gov.uk

Chief Officer Responsible for the report:

Neil Ferris
Corporate Director Economy & Place

**Report
Approved**



Date 13.03.19

Wards Affected:

All

For further information please contact the author of the report

Annexes

Appendix 1 - Leeds City Region Update Paper