

**Notice of a public  
Decision Session - Executive Member for Economic Development  
and Community Engagement (Deputy Leader)**

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

**Date:** Friday, 22 March 2019

**Time:** 2.00 pm

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

**A G E N D A**

**Notice to Members – Post Decision Calling In:**

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

**4:00pm on Tuesday 26 March 2019** if an item is called in *after* a decision has been taken.

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

Written representations in respect of item on this agenda should be submitted to Democratic Services by **5.00pm on Wednesday 20 March 2019**.

**1. Declarations of Interest**

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

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

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

- 2. Minutes** (Pages 1 - 2)  
To approve and sign the minutes of the meeting held on 5 February 2019.

**3. Public Participation**

At this point in the meeting, members of the public who have registered to speak can do so. The deadline for registering is **5.00pm on Thursday 22 March 2019**. Members of the public can speak on agenda items or matters within the Executive Member's remit.

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

**Filming, Recording or Webcasting Meetings**

Please note that, subject to available resources, this meeting will be filmed and webcast, or recorded, including any registered public speakers who have given their permission. The broadcast can be viewed at <http://www.york.gov.uk/webcasts> or, if recorded, this will be uploaded onto the Council's website following the meeting.

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

The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at

[https://www.york.gov.uk/downloads/file/11406/protocol\\_for\\_webcasting\\_filming\\_and\\_recording\\_of\\_council\\_meetings\\_20160809](https://www.york.gov.uk/downloads/file/11406/protocol_for_webcasting_filming_and_recording_of_council_meetings_20160809)

- 4. Economic Health of York City Centre Scrutiny Review Final Report** (Pages 3 - 28)

This cover report presents the Executive Member with the Final Report of the Economy and Place Scrutiny Committee's scrutiny review into the Economic Health of York City Centre. It asks the Executive Member to consider the recommendations arising from the review. In considering the recommendations the Executive Member is asked to take into account the comments of the Head of Economic Growth set out in paragraphs 10-17 in the report.

- 5. Economic Update** (Pages 29 - 50)  
This report informs the Executive Member of the progress that has been made in delivering the York Economic Strategy 2016-20. It also provides an update on the preparation of a draft York Economic Strategy 2020-24.
- 6. Future High Streets Fund – submission of expression of interest** (Pages 51 - 58)  
The Executive Member is asked to note that an Expression of Interest has been submitted to the Future High Street Fund, a central government funding opportunity to tackle the challenges facing town and city centres. The Expression of Interest does not commit the council to proceeding with a full bid or to any funding as successful applicants will be invited to submit a full business case at a later date. This is an information only paper and requires no decision.
- 7. Urgent Business**  
Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer

Angela Bielby

Contact details:

- Telephone – (01904) 552599
- Email [a.bielby@york.gov.uk](mailto:a.bielby@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

City of York Council

Committee Minutes

---

Meeting	Decision Session - Executive Member for Economic Development and Community Engagement
Date	5 February 2019
Present	Councillor Aspden

---

### **18. Declarations of Interest**

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

### **19. Minutes**

Resolved: That the minutes of the last Decision Session held on 4 December 2018 be approved as a correct record and signed by the Executive Member.

### **20. Public Participation**

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

### **21. 4Community Growth York**

The Executive Member considered a report which provided an update on the delivery of the two year local area-based financial inclusion project, 4CommunityGrowthYork (4CGY) and presents a proposal to extend the delivery of the project for a further year.

The Area-Based Financial Inclusion Project Manager and Head of Communities and Equalities were in attendance to present the report. In response to a question from the Executive Member concerning Ward Committee spend, the Head of Communities and Equalities explained that there was a requirement to develop robust data collection tools to allow for the use of the social value engine in the final project evaluation. Thanks were recorded to those involved in the project.

Resolved: That;

- i. The Mid Term Status report for the project and further progress made by the project be noted.
- ii. The proposed extension of the project be approved.

Reason: To ensure the sustainability of the financial inclusion measures being delivered in community locations

## **22. Town Crier**

The Executive Member considered a report that outlined proposals to attract a volunteer to undertake the role of Town Crier for the City of York, as a result of a combined initiative involving Make it York, York BID and the Sheriff of the City of York. The Democratic and Civic Services Manager outlined the proposals to the Executive Member.

Resolved: That;

- i. the role of the Town Crier on behalf of City of York Council (CYC) be acknowledged;
- ii. the process for attracting a volunteer to undertake the role be approved.

Reason: In order that the individual recruited is eligible to join both the Ancient & Honourable Guild of Town Criers and Loyal Company of Town Criers, therefore attracting public liability insurance.

Cllr K Aspden , Executive Member

[The meeting started at 2.00 pm and finished at 2.10 pm].



---

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

**22 March 2019**

Report of the Economy and Place Scrutiny Committee

**Economic Health of York City Centre Scrutiny Review Final Report –  
Cover Report**

**Summary**

1. This cover report presents the Executive Member for Economic Development and Community Engagement with the Final Report of the Economy and Place Scrutiny Committee's scrutiny review into the Economic Health of York City Centre and asks the Executive member to consider the recommendations arising from the review.
2. In considering the recommendations the Executive Member is asked to take into account the comments of the Head of Economic Growth set out in paragraphs 10-17 in the report.

**Recommendations**

3. Having considered the Economic Health of York City Centre Scrutiny Review Final Report at Appendix 1 the Executive Member is asked to consider the recommendations as shown in paragraph 8, below

**Background**

4. In June 2018 the Committee welcomed the Executive Member for Economic Development and Community Engagement to its meeting and also received a presentation from CYC Head of Economic Growth which updated Members on the Economic Strategy 2016-23. During the meeting Members expressed concerns at the number of empty shops in the city centre, particularly a cluster of empty shops on Coney Street, but accepted that addressing this problem was complicated.

5. The Committee Chair subsequently had a meeting with the Head of Economic Growth and the Assistant Director for Transport, Highways and Environment and agreed it would be useful to undertake a full Committee review of the city centre economy, the immediate problems it is facing and what measures could be taken to resolve them.
6. In July 2018 the Committee considered a scoping report on the city centre economy and considered it was a topic worthy of further investigation. Members agreed to undertake a full committee scrutiny review with the following remit:

### **Remit**

Aim:

To understand the economic health of York city centre and where the Council can influence the city centre economy.

Objectives:

- i. To examine all the available evidence about York city centre as a retail location and how this has changed in recent years;
- ii. Consider the factors that influence the city centre economy and what role the Council has to play;
- iii. Understand the global trends that underpin changes in retail and the city centre environments and how these might affect York;
- iv. Identify the Council's priorities with regard to the city centre economy.

### **Consultation**

7. Over a series of meetings the E&P Scrutiny Committee was guided by CYC's Head of Economic Growth and consulted with representatives from Make It York, York Business Improvement District, Indie York, York Retail Forum and York Food Festival. The information gathered led to the Committee agreeing the following recommendations, which were endorsed by the Economy and Place Policy Development Committee at its meeting on 29 January 2019.



## Review Recommendations

8. That the Council:
  - i. Fully supports the work and ambitions of Indie York in helping further develop and grow the independent business sector in the city and that the Council makes a grant of £10,000 to Indie York to help progress this work;
  - ii. Considers making a bid to the £675 million Future High Streets Fund to secure funding to help York respond and adapt to changes facing city centres.
  - iii. Prepares a long-term strategy to make its high streets and the city centre fit for the future, taking into account relevant aspects of the Grimsey report and the view of all key stakeholders.
  - iv. Develops an easy but comprehensive and consistent guide to help businesses access relevant information around Council policies effecting businesses, such as planning and licensing issues and alike.
  - v. Examines ways of extending the city's traditional festivals venue in Parliament Street to open up other areas to visitors, particularly across the river into Micklegate, and reduce pedestrian congestion in parts of the city centre at peak hours.
  - vi. Works with Indie York and traders to develop a city-wide loyalty scheme to make it easier for businesses to reward customers with an attractive discount offer for shopping locally while encouraging business growth and customer retention across a city-wide customer engagement platform.
  - vii. Incentivises ways to further encourage more people to use Park and Ride and work with bus operators to extend the operating hours of Park and Ride to help reduce vehicle congestion in the city.
9. The Economy and Place Scrutiny Committee also reaffirmed the recommendations made by Economy and Place Policy Development Committee following a scrutiny review into the Impact of the Arts and Culture Sectors on the Economy of York which were agreed by Executive on 25 January 2018, namely:

- a. The Council should work with BID to explore all means available of achieving improvements to the public realm in the city, particularly Parliament Street;
- b. The Council should seek ways of protecting and utilising the city's stock of historic buildings to attract more growing business, rather than increasing residential use, by encouraging imaginative approaches to redevelopment through the Local Plan and master-planning frameworks, and through its Asset Management Strategy and the future development of its commercial portfolio.
- c. That Make It York concentrates its focus on higher quality events and festivals in the city centre to protect the York festival brand and maximise their GVA.
- d. That Make It York works with BID and other interested parties e.g. York Civic Trust, to devise a comprehensive 21<sup>st</sup> century system of way-finding within the city using all available methods and technologies.

## **Analysis**

10. The Head of Economic Growth wishes to make the following comments in response to the recommendations:
11. Since the review recommendations were approved by the E&P Scrutiny Committee in early January 2019 York Business Improvement District has agreed to make a grant of £10,000 to Indie York, setting objectives around the sustainability of the organisation. There is money in the current approved budget to make an additional CYC grant to Indie York.
12. There are currently around 17 separate traders groups and associations active in York, each focussed on making independent businesses more sustainable in their local area. An option could be to seek to make provision in the 2020/21 revenue budget for a grant fund to support independent traders groups, such as Indie York and others. This would respond to recommendations (i) and (vi).
13. In regard to recommendation (iii), at the 2019/20 budget, the Council has approved £100k for a My City Centre consultation with all key stakeholders.
14. A bid is currently being developed with key stakeholders for submission to the Future High Street Fund (recommendation (ii), which will

complement the work being funded through the My City Centre consultation.

15. Recommendations ( iv) and (v) are for Make It York to deliver and could be included in the revised Service Level Agreement when that is next considered (later in 2019).
16. In relation to recommendation (vii) First York have taken a decision to extend the running time for Park and Ride services to Askham Bar, Designer Outlet, Monks Cross and Rawcliffe Bar. See <https://www.firstgroup.com/york/routes-and-maps/york-park-ride/late-night-park-ride-services> - buses run until after 22.30 for the first three, and 21.30 for Rawcliffe Bar.
17. The Economy and Place Scrutiny Committee were to consider an update on the implementation of the recommendations from the scrutiny review into the Impact of the Arts and Culture Sectors on the Economy of York at its meeting on 19 March. In relation to the recommendations at paragraph 9, above, this shows:

Recommendation	Implementation as of March 2019
a. The Council should work with BID to explore all means available of achieving improvements to the public realm in the city, particularly Parliament Street;	The Council budget approved in February 2019 allocated £100k –to invest in a ‘My City Centre’ consultation be held with key stakeholders (including residents, businesses, cycle/pedestrian groups and groups that represent people who have special access requirements) on the wider issues of accessibility, safety and traffic management in the city centre as recommended by Executive in September 2018 as part of the report on City Centre Access report.
b. The Council should seek ways of protecting and utilising the city’s stock of historic buildings to attract more growing business, rather than increasing residential use, by encouraging imaginative approaches to redevelopment through the Local Plan and	The Draft Local Plan recognises the critical importance of York City Centre as the economic, social and cultural heart of the area. It aims to strengthen the role of the city centre through, among other, things: <ul style="list-style-type: none"> <li>• ensuring development sustains, enhances and adds values to</li> </ul>

<p>master-planning frameworks, and through its Asset Management Strategy and the future development of its commercial portfolio.</p>	<p>York's culture;</p> <ul style="list-style-type: none"> <li>• developing an improved high quality affordable office space offer for small enterprises and start-ups in the arts, creative, digital media and related industries;</li> <li>• protecting and enhancing its unique historic and cultural assets;</li> <li>• protecting and enhancing its existing office provision</li> </ul>
<p>c. That Make It York concentrates its focus on higher quality events and festivals in the city centre to protect the York festival brand and maximise their GVA.</p>	<p>Objectives in the Make It York Service Level Agreement Include:</p> <ul style="list-style-type: none"> <li>• Drive the development and implementation of an events strategy in consultation with the culture and events sectors and the Business Improvement District to ensure that York has a vibrant, all-year-round programme</li> <li>• Create a high-profile calendar of events ensuring that partners such as the BID are enabled to contribute to the full</li> <li>• Programme high quality city centre festivals, activities and events</li> <li>• Promote the events calendar through all appropriate means including through highly visible city-centre information</li> </ul>
<p>d. That Make It York works with BID and other interested parties e.g. York Civic Trust, to devise a comprehensive 21<sup>st</sup> century system of way-finding within the city using all available methods and technologies.</p>	<p>The Council budget approved in February 2019 allocated the match funding contribution from the Council so that York Business Improvement District can deliver the way finding project following the successful trial in St Helen's Square.</p>

## Conclusion

18. The review recommendations at paragraphs 8 and 9 give cross-party support to strategies that have been or are being developed by City of York Council.

## Options

19. Having considered the final report at Appendix 1 the Executive Member may chose to approve and/or amend, or reject the recommendations arising from the review.

## Council Plan

20. This report is linked to the Prosperous City for All and A Council That Listens to Residents priorities of the Council Plan.

## Risks and Implications

21. The risks and implications arising from the review recommendation are outlined in the final report at Appendix 1.

## Contact Details

### Author:

Steve Entwistle

Scrutiny Officer

Tel: 01904 554279

[steven.entwistle@york.gov.uk](mailto:steven.entwistle@york.gov.uk)

### Chief Officer Responsible for the report:

Dawn Steel,

Head of Democratic Services.

Tel: 01904 551030

[dawn.steel@york.gov.uk](mailto:dawn.steel@york.gov.uk)

Report Approved  Date 12/03/2019

Wards Affected:

All

For further information please contact the author of the report

## Annexes

**Appendix 1** – Economic Health of York City Centre Scrutiny Review Final Report

This page is intentionally left blank

---

**Economy and Place Policy Development  
Committee**

**29 January 2019**

Report of the Head of Economic Growth

**Economic Health of York City Centre Final Report**

**Summary**

1. This report presents the findings from the scrutiny review into the Economic Health of York City Centre carried out by the Economy and Place Scrutiny Committee, together with the review conclusions and recommendations.
2. It asks the Economy and Place Policy Development Committee to formally agree the review recommendations to enable the review final report to be presented to the Executive. It also asks the Committee to identify opportunities for further independent policy development work associated with the city centre economy but outside the remit of this review.

**Background**

3. In June 2018 the Committee welcomed the Executive Member for Economic Development and Community Engagement to its meeting and also received a presentation from CYC Head of Economic Growth which updated Members on the Economic Strategy 2016-23.
4. During the meeting Members expressed concerns at the number of empty shops in the city centre, particularly a cluster of empty shops on Coney Street, but accepted that addressing this problem was complicated. However, it was agreed that York was doing well against national trends and across the city only three Council-owned properties were currently vacant.
5. The Economy and Place Scrutiny Committee Chair subsequently had a meeting with the Head of Economic Growth and the Assistant Director for Transport, Highways and Environment and agreed it would be useful to undertake a full Committee review of the city centre economy, the

immediate problems it is facing and what measures could be taken to resolve them.

6. In July 2018 the Economy and Place Scrutiny Committee considered a scoping report on the economy of York city centre and themes that can be investigated to influence the city centre economy.
7. Members considered that this was a topic worthy of further investigation and agreed to undertake a full Committee scrutiny review and further agreed the following remit:

### **Remit**

Aim:

To understand the economic health of York city centre and where the Council can influence the city centre economy.

Objectives:

- i. To examine all the available evidence about York city centre as a retail location and how this has changed in recent years;
  - ii. Consider the factors that influence the city centre economy and what role the Council has to play;
  - iii. Understand the global trends that underpin changes in retail and the city centre environments and how these might affect York;
  - iv. Identify the Council's priorities with regard to the city centre economy.
8. It was also agreed that while this was a full Economy and Place Scrutiny Committee review a minimum of three Committee Members would be available to attend additional sessions outside the Committee meetings to provide flexibility in progressing the review.

### **Information Gathered**

9. In September 2018 the Economy and Place Scrutiny Committee received a briefing from the Economic Growth Team to establish an evidence base for the scrutiny review.

Employment in York city centre



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

#### Visitor numbers and tourism

12. The latest Visit York figures show a total of 6.9m visitors to the city per annum, spending a combined £564m in York. Over the past 5 years, the total number of visitors has increased by nearly 500,000 and total spend is up by over £100m. The York Tourism Strategy, which is due to be reviewed by the new Head of Visit York, sets a target for the sector to become a £1bn contributor to the York economy.
13. In late October 2018 York was announced as the second most visited city in the UK according to research conducted by Snaptrip, a holiday marketplace company. The city surpasses larger cities such as Manchester, Birmingham, Edinburgh, Leeds and Newcastle with only London proving more popular.

#### Recent York retail studies

14. To prepare for the development of previous versions of the Local Plan, in-depth studies of York's retail sector were prepared by Deloitte (2014), WYG (2013), GVA (2008), Roger Tym & Partner (2004), and CB Hillier Parker (2001). These reports document a changing retail landscape over the past 17 years, with the predominant themes being the changing mix of food/comparison goods/leisure, the rise of Leeds as a regional retail hub and the decline of smaller centres as retail locations, York's tourism offer and its attraction to retail, and the growth of out-of-town centres.

15. In the 2008 study, which focussed on recommendations for the then plans for Castle Piccadilly, the main emphasis was on the role of department stores, the need for modern retail units to compete with other cities, and the extent to which York residents were shopping in other centres. There was no recognition of the imminent growth in online retailing and the impact that this would have on the high street. In the 2014 Deloitte study, the threat of online is touched on, with a forecast that 20% of all purchases would be online by 2028. The speed of change and the challenges in forecasting are clearly demonstrated here – 20% of purchases were online for the first time in November 2017.
16. While these reports provide useful accounts of the health of retailing across York, they have not proven to be as helpful in predicting what might be needed in terms of space and infrastructure to support the city centre as a retail environment.

Centre for Cities – Building Blocks report

17. The influential think tank Centre for Cities recently published a report on the role of commercial space in shaping city centre economies. The report used rates data to look at the mix of retail, office, food and leisure, industrial, warehouse and other uses in cities, drawing conclusions about the best mix to support a thriving retail offer. On the basis of cities such as Manchester, Leeds and Nottingham, the report suggests that “the strongest city centres have a large share of office space compared to other types of commercial property. This office space tends to be of higher quality, and these city centres tend to have a lower share of high street vacancies. This is because the office space leads to footfall on the high street.”
18. However, the report and its associated data set shows that the two cities with the lowest vacancy rates are Cambridge (6.92%) and York (7.03%), with city centre economies driven by tourism rather than office occupancy. In York, 50% of our city centre commercial space is retail (41%) or food and leisure (9%), supported by 28% office space which is higher quality than the national average.
19. This mix demonstrates the challenges that our city centre faces. As our Economic Strategy recognises, York has high levels of employment in low paid work such as retail, food and leisure, and tourism. To make housing in the city more affordable for residents, we need to grow more high paid jobs and support lower paid industries to be commercially successful so that they can increase pay. Our current strategy focuses entirely on growing more jobs in better paid industries, while our city

centre economy is driven by tourism, retail, food and leisure.

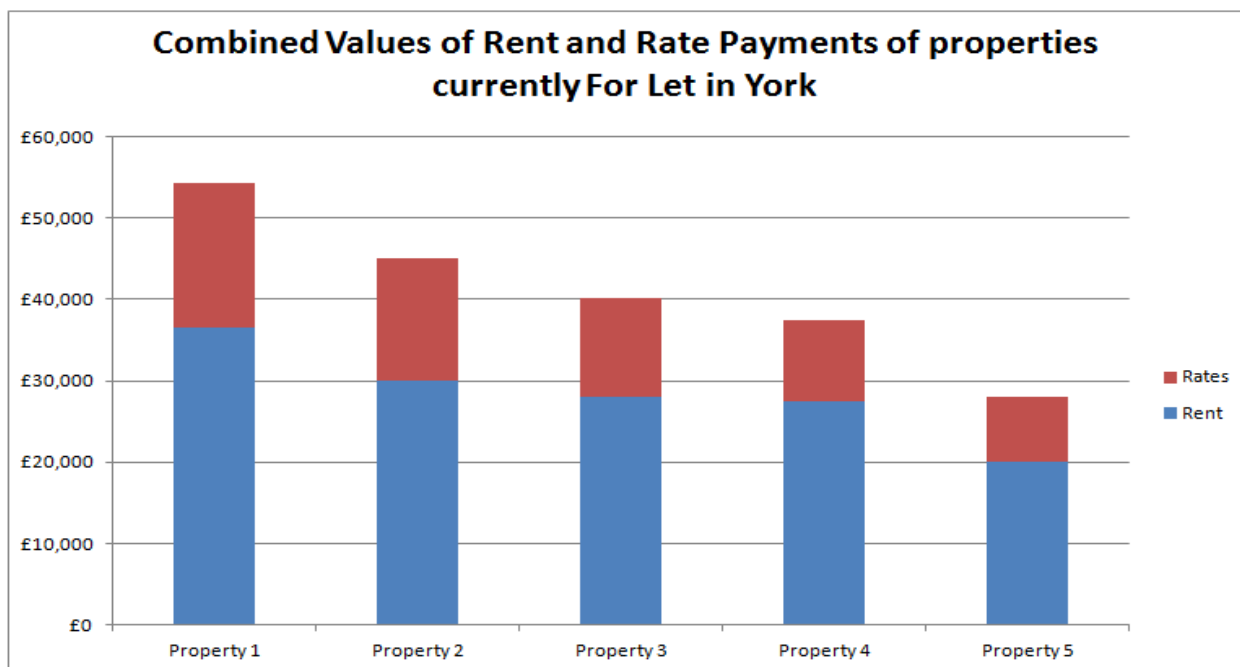
### Vacant premises in York City Centre

20. Despite recent headlines and the very noticeable cluster of vacancies in Coney Street, as noted above, York has the second lowest vacancy rate of all UK cities. Looking at the vacancy rate recorded by our Business Rates team over the past 7 years, the level of shop vacancies is currently lower than it has been for the last 3 years. There are, however, two “problem areas” – Coney Street and Goodramgate – where vacancies are clustered.
21. Coney Street is our classic high street with large big-name shops and the highest rents as demonstrated in the rent hot spot map from the Deloitte 2013 report. Much of the street is owned by pension funds and corporate landlords as part of large portfolio holdings, meaning that ownership is remote and unresponsive. The public realm is difficult, with a tall, narrow street which needs to accommodate delivery lorries and is thus hard to turn over to street cafes and other leisure uses. The rental market is currently adjusting to much-publicised Next CVA arrangement which is forcing down rents. Beyond working on the public realm, there are limited options for us to intervene on Coney Street.
22. In Goodramgate, rents are approximately 1/3 of the per sq ft rates in Coney Street, and the street is on the edge of the core retail area. There are also problems with public realm because of the need to provide car access for disabled parking, and there is a cluster of vacant shops. There is probably more scope for intervention here, and there are some encouraging signs, including the establishment of an independent traders group and some new occupiers.
23. In terms of our own retail portfolio, there are currently no city centre vacancies. The recent purchase of Back Swinegate is providing a good return, and there is clearly an option, funding permitting, to extend Council ownership to both generate further rental income and provide more options for regeneration.

### Business Rates

24. Much has been made of the cost of business rates for city centre retailers, and current campaigns by retailers and politicians are promoting a fundamental review of the rates system. This is currently based on the rental cost of premises, providing significant financial challenges for shopkeepers in the city centre. The way that rates are

calculated means that they can add nearly 50% to the cost of premises – the rates on a shop with rental costs of £50,000 would be around £22,000 to £24,000 depending on the tenant, equivalent to the costs of a member of staff.



25. In late November 2018 the Committee met with representatives from key stakeholders in the city including Make It York, York Business Improvement District, Indie York, York Retail Forum and York Food Festival.

#### CYC Economic Growth Team

26. To progress the review and gather information on the needs and aspirations of city centre businesses the Economic Growth Team sent out 125 questionnaires to businesses and held 17 feedback sessions. The aim was to discover the views of local businesses and develop an understanding of what it is like being a retailer in York, and find out how the Council can work further with businesses and adapt its approach to support retailers in the city.
27. Many of the businesses surveyed praised the work of Council partnerships, such as York BID, and the work of Indie York in promoting local businesses. However, there were concerns about a perceived lack of clarity and consistency around accessing information around Council policies, particularly planning and licensing, and a seeming lack of communications between Council departments. The key issues identified were:

- Business rates
- Lack of communication/consistency
- Change in retail day
- Markets
- Circular investment
- No clear City vision
- A boards
- Pedestrianisation

### Make It York

28. The Managing Director of Make It York told the Committee that there were many reasons to be optimistic about the future of York:

- 2018 YTD footfall figures up 2.7% on 2018 (v UK average decline of 2.5%)
- Retail occupancy is 91.8% compared to a national average of 89.9% and a northern average of 85.2% (LDC 2017)
- The city has developed Christmas really well : “Britain’s most festive city”
- Tourism numbers are positive across a range of measures
- Unprecedented calendar of events and festivals during 2018 (Bloom!, Shakespeare’s Rose theatre, Mediale, Hot Air Balloon fiesta etc.)
- BID making significant contribution to street cleanliness, safety, way-finding, Christmas lights etc.
- A significant ‘indy’ sector with an infrastructure for promotion and marketing
- Pipeline of retailers interested in York with around 30-40 a month expressing an interest.
- And some of them do land... Flying Tiger, Flight Centre, The Entertainer, Wild and Westbrooke
- It has the England’s best Visitor Information Centre (Visit England 2017/18)

29. But while there were reasons for optimism, there was no place for complacency and several challenges need to be faced:

- Respond to the Grimsey challenge (vision, leadership)
- Be less tolerant to poor behaviour ( gag mag sellers, public drug taking, illegal van parking, ASB etc.)
- Fulfil the commitment on way-finding
- Continue with proactive approach to new retailers
- Create a new plan for the development and future-proofing of the Shambles Market
- Resolve to address the car parking issues
- Complete and commit to a city events strategy... with clear guidance and free of politics
- Embed an ambitious city tourism strategy within the city's economic development plan... and see it as an asset not a burden
- Ensure there is an holistic view of where future events/festival space is going to be in the city, given all the new developments
- Ensure that the core city centre doesn't get subsumed by the new developments i.e. it needs attention and investment too

#### York Business Improvement District

30. The BID's long-term economic master plan for the city centre Includes:

- Infrastructure for business growth
- A great city centre for all ages to live, work and play
- A green city that rises to the challenge of technological change
- A city with agile decision-making bodies
- A focus on communities

31. And economic plan priorities from a BID perspective are:

- Plan for large vacant units and absent landlords
- Improved car parking technology / cycle lanes / public transport
- Care over the appearance of the city centre
- Preparing for how retail will look in 10-15 years
- Plans to improve footstreets (including clarity on enforcement)
- Help businesses to be found

### Indie York

32. Indie York, or York Independent Business Association, was set up after the Boxing Day floods of 2015 to get the message across that York was still open for business. It has grown to an organisation of around 200 independent businesses with a business address within York Ring Road.
33. The Association has an interactive website and city map on which every business is numbered in a red dot and highlights clusters of the city's independent strongholds, including Fossgate, Goodramgate, the Minster Quarter, Micklegate, The Shambles and Shambles Market, and the Fifth Quarter, as well as Fulford, Acomb, Fishergate and Bishy Road,
34. The Committee was told that in York in excess of 65% of businesses are independent and helped give the city its USP (Unique Selling Point). The aim is for independent businesses across the city to work together to market independents for residents and visitors, direct people to independent businesses and give members a collective voice.
35. However, the Committee was told that Indie York was financed through the £50 per member annual membership fee so was surviving on very little at the moment. The organisation would welcome any support it could get from the Council to help fund its activities, website and publication of its city map.

### York Food Festival

36. York Food Festival run events throughout the year celebrating local and regional food and drink, with the main 10 day festival held at the end of September. It is a not-for-profit organisation and any money generated from ticket sales goes back in to the festival to improve it year after year.
37. Its aims are:
  - To promote local food producers, independent restaurants and retailers in York.
  - To provide educational and fun workshops and cookery demonstrations to encourage people to eat healthy, homemade and locally sourced food.
  - To establish York as a culinary hotspot and a place to visit all year round (not just for the festival), building on: York's history as a chocolate city and historic market; the city's talented food specialists and the qualities of Yorkshire food.

- To transform the city streets throughout the days and in the evenings during the festival with a wealth of activities for all ages to enjoy.

38. Issues raised by York Food Festival at the meeting included the city centre infrastructure and problems faced, particularly in Parliament Street, around waste, electrical supplies and drainage. They suggested that the city would also benefit from a flexible structure that could stage events but does not block the space permanently.
39. As mentioned in paragraph 8 of this report, Members agreed that while this is a full Committee review, a minimum of three Committee Members would be available to attend additional sessions outside the Committee meetings to provide flexibility to progress the review. Such a meeting was held on 11 December 2018 and was attended by Cllrs Pavolvic, Steward, D Myers and Craghill (as substitute for Cllr D'Agorne).
40. The aim was to consider the information gathered and to agree some draft recommendations for further discussions by the full Committee.
41. Members then discussed the £675 million Future High Street Fund set up to help local areas respond and adapt to changes. The fund aims to support local areas to prepare long-term strategies for their high streets and town centres and members felt the CYC could make a bid based around something the city does well – York's heritage.
42. The group also discussed the potential of developing a loyalty scheme to keep money in the city. For every £1 spent with independent traders up to 70p stays local in comparison to 5p when spent online or in a chain.
43. Many cities across the country have supported their independent businesses by creating loyalty cards, gift cards and discount cards for their independent retailers and the group considered schemes in Sheffield, Liverpool, Birmingham, Exeter, Selby and Bristol.
44. In addition the group also considered CYC's Discretionary Business Rate Discount Policy and considered that this was an issue that warranted more in-depth scrutiny.
45. In late January 2019 the report was considered by the Economy and Place Policy Development Committee and Members agreed the review recommendations from the E&P Scrutiny Committee.



46. Members also agreed that there were opportunities for further policy development work particularly around Article 4 Direction, a special planning regulation CYC has adopted to provide additional powers over development in a particular location.
47. A majority of Members felt that CYC should look at Article 4 Direction in terms of protecting existing office space, particularly Grade A office, in the city centre.

### **Consultation**

48. To progress the review the E&P Scrutiny Committee was guided by CYC's Head of Economic Growth and consulted with representatives from Make It York, York Business Improvement District, Indie York, York Retail Forum and York Food Festival.

### **Analysis**

49. A steady stream of high-profile retail failures is focussing national attention on "the future of the high street". Across the western world, the rise of online retailing and changing shopping habits are bringing change to town and city centres, local shopping parades and out-of-town shopping centres. In the USA, shopping malls now have an overall vacancy rate of 20%, with department stores closing and traditional retail companies going bust. In the UK we have seen a wave of closures and business restructures from household names such as Woolworths, BHS and House of Fraser, and national high street vacancies are at an overall rate of around 12% and rising.
50. In York, there is a cluster of empty shops in Coney Street, the main shopping street in the city and the heart of the prime retail area, which provides a very visible reminder that York is not immune to these global factors. However, our vacancy rate is currently around 6%, half the national rate, and a recent report from Centre for Cities looking at the health of city centres identified York as second only to Cambridge in terms of overall city centre occupancy of commercial space.
51. In difficult times, York is faring well in comparison to other UK cities, and bucking a regional trend which sees Yorkshire and Humber as the only part of the UK with declining retail health (LDC 2018).
52. However York has one of the lowest vacancy rates in the UK, and a steadily growing tourism industry which is bringing increasing numbers of international visitors to the city. Employment in the city centre remains

constant, but there are high numbers of jobs which are relatively low paid, bringing particular challenges to York due to our relatively high cost of living.

53. The Grimsey challenge, as mentioned in paragraph 29, follows an independent review of the UK's town and city centres by Bill Grimsey, a former chief executive of Wickes, Iceland and Booker. The review concludes that, amid an ongoing shift to online shopping, bricks-and-mortar retailing can no longer be the anchor for thriving high streets, which must become community hubs that include offices, housing and public open space as well as shops and that stronger local leadership is needed to give high streets a renewed sense of purpose and identity.
54. The information gathered during the round table discussions with city stakeholders led to several shared ambitions for the city:
55. Strategy

York needs a long term plan for the city centre to enable it to continue to thrive. This needs to take account of:

- Global/national trends on the high street e.g. if more department stores and banks close, what use could those empty premises be put to?
- Events/markets in the city centre – ensuring we have the right balance of events for visitors and locals, and that the opportunities to trade on those occasions are also available for York businesses
- Getting people to the city centre, and helping them find what's available – car parking, way-finding, public transport, park & ride.

56. Attractiveness

It is important that we think about the city centre in the same way that we have been planning for York Central, Castle Gateway, etc. Issues which need urgent attention include:

- Parliament Street as an events space, given the condition of the paved surfaces, trees, etc
- “Poor behaviour” in the city centre must be challenged.

- Shambles Market – what is its long term future? Can we keep it lively and help it to animate the city centre?

#### 57. City Centre as a business location

The city centre is increasingly dominated by visitors, particularly at the weekends. It has a strong independent retail and tourism offer, and the success of these businesses, the employment they provide, and the opportunities the environment presents, are perhaps the most important contribution the city centre makes. We need to consider:

- Business rates and rates relief – implementation of our existing policies and consideration of new approaches to support the growth of local businesses through rates relief
- Better regulation – need to better align application processes for planning, environmental health, licensing, etc to make compliance easier for small businesses
- Supporting our independent offer – work with traders groups to help the indie sector to grow and become more sustainable.

### **Conclusions**

58. How York responds to changes in retailing, and how we adapt our city centre to provide the best environment for businesses, customers, residents and visitors, is one of the most important challenges that we face.
59. York's city centre is used by a wide range of people for many purposes. Underpinning its success, however, is the strength of our tourism industry and the money that visitors bring and spend in our shops. Despite the cluster of empty shops on Coney Street, our city centre is performing better than any other city with the exception of Cambridge. However, the pace of change in retail is accelerating, and the future success of York is not guaranteed. The areas where City of York Council can influence its development include:
- the public realm,
  - our own premises,
  - the rates system,
  - promotion of the city centre
  - transport and the highways

- the planning system
60. Indie York has become an asset to the city since its formation after the Boxing Day floods of 2015. Its original aim was to get the message across that York was still open for business following media reports that gave the impression that the entire city was underwater and was consequently a no-go area, but it has grown into an organisation with a membership of around 200 businesses with an address within York Ring Road.
  61. It promotes the diverse and vibrant business scene in the city and has an interactive website and city map on which every member business is numbered in a red dot to bring independent businesses together in one guide to show residents and tourists the city's independent options to high street names. However, the organisation is self-financed through member fees so is surviving on very little. A grant – £10,000 being the amount suggested by the E&P Scrutiny Committee – would help fund its growing activities, website and publication of its city map.
  62. Many businesses consulted noted that it was often difficult to receive consistent information about what help and advice is available on issues such as planning and licensing and would welcome a comprehensive guide which would give them access to the relevant information. This could take the form of a booklet which could attract sponsorship.
  63. On occasions York can be a victim of its own success. Events such as St Nicholas Christmas Fair attract a large number of people and the huge weight of visitors puts pressure on the city centre infrastructure, particularly in Parliament Street. To ease pedestrian congestion in core city centre areas York needs to ensure it has the right balance of events for visitors and locals and that the opportunity to trade on those occasions are also available for York businesses.
  64. To ease this pressure the traditional festivals venue around Parliament Street could be extended to open up other areas, such as across the river into Micklegate, both to reduce pedestrian congestion and offer increased business opportunities within the extended events zone.
  65. And to further increase opportunities for independent businesses a city-wide loyalty scheme could encourage people to shop locally and receive benefits from the scheme, such as discounts at other shops or reduced/free access to the city's cultural and heritage attractions. Such schemes have been successfully introduced in other UK cities with people receiving rewards for shopping locally, eating out locally and supporting independent businesses.

## **Review Recommendations**

66. At the informal meeting on 11 December the sub-group of the Economy and Place Scrutiny Committee made the following recommendations which were endorsed by the full Economy and Place Scrutiny Committee at their meeting on 16 January:

That the Council:

- i. Fully supports the work and ambitions of Indie York in helping further develop and grow the independent business sector in the city and that the Council makes a grant of £10,000 to Indie York to help progress this work;
- ii. Considers making a bid to the £675 million Future High Streets Fund to secure funding to help York respond and adapt to changes facing city centres.
- iii. Prepares a long-term strategy to make its high streets and the city centre fit for the future, taking into account relevant aspects of the Grimsey report and the view of all key stakeholders.
- iv. Develops an easy but comprehensive and consistent guide to help businesses access relevant information around Council policies effecting businesses, such as planning and licensing issues and alike.
- v. Examines ways of extending the city's traditional festivals venue in Parliament Street to open up other areas to visitors, particularly across the river into Micklegate, and reduce pedestrian congestion in parts of the city centre at peak hours.
- vi. Works with Indie York and traders to develop a city-wide loyalty scheme to make it easier for businesses to reward customers with an attractive discount offer for shopping locally while encouraging business growth and customer retention across a city-wide customer engagement platform.
- vii. Incentivises ways to further encourage more people to use Park and Ride and work with bus operators to extend the operating hours of Park and Ride to help reduce vehicle congestion in the city.

67. Further, the Economy and Place Scrutiny Committee reaffirmed the recommendations made by Economy and Place Policy Development

Committee following a scrutiny review into the Impact of the Arts and Culture Sectors on the Economy of York which were agreed by Executive on 25 January 2018, namely:

- i. The Council should work with BID to explore all means available of achieving improvements to the public realm in the city, particularly Parliament Street;
- ii. The Council should seek ways of protecting and utilising the city's stock of historic buildings to attract more growing business, rather than increasing residential use, by encouraging imaginative approaches to redevelopment through the Local Plan and master-planning frameworks, and through its Asset Management Strategy and the future development of its commercial portfolio.
- iii. That Make It York concentrates its focus on higher quality events and festivals in the city centre to protect the York festival brand and maximise their GVA.
- iv. That Make It York works with BID and other interested parties e.g. York Civic Trust, to devise a comprehensive 21<sup>st</sup> century system of way-finding within the city using all available methods and technologies.

### **Council Plan**

68. This report is linked to the Prosperous City for All and A Council That Listens to Residents priorities of the Council Plan.

### **Implications**

69. **Financial:** The majority of recommendations of the Scrutiny Report could be delivered within current resources. There is no budget available for recommendation ii) which supports a grant of £10k to Indie York. If this recommendation were to go forward to Executive they would need to identify a budget in order for the grant to be made.

- **Human Resources (HR):** There are no HR implications associated with the recommendations in this report
- **Equalities:** No implications
- **Legal:** No implications
- **Crime and Disorder:** No implications

- **Information Technology (IT):** No implications
- **Property:** No implications
- **Other:** There are no other implications

### **Risk Management**

**70.** There are no risks associated with the recommendations in this report. However, changes in retail is one of the most important challenges the city centre faces and there could be risks to the economy of the city centre if York fails to respond to these changes and adopts a strategy to provide the best environment for businesses to thrive, thereby benefiting customers, residents and visitors alike.

### **Contact Details**

**Author:**

Steve Entwistle

Scrutiny Officer

Tel: 01904 554279

[steven.entwistle@york.gov.uk](mailto:steven.entwistle@york.gov.uk)

**Chief Officer Responsible for the report:**

Neil Ferris

Corporate Director Economy & Place

Simon Brereton

Head of Economic Growth

Tel: 01904 552814

[simon.brereton@york.gov.uk](mailto:simon.brereton@york.gov.uk)

**Report Approved**  **Date** 4/01/2019

**Wards Affected:**

**All**

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

### **Abbreviations**

BID – Business Improvement District

CVA – Company Voluntary Arrangement

CYC – City of York Council

YTD – Year to Date

This page is intentionally left blank





---

**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 25<sup>th</sup> 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 23<sup>rd</sup> 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](mailto: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

This page is intentionally left blank



---

**Report to:** Directors of Development

**Date:** 8<sup>th</sup> March 2019

**Subject:** **Quarterly Economic Update**

---

**Director(s):** Alan Reiss, Director of Policy, Strategy and Communications

**Author(s):** James Hopton, Patrick Bowes

---

## **1 Purpose of this report**

- 1.1 To provide an update on the latest economic and business intelligence for the Board.

## **2 Information**

- 2.1 This report presents recent developments in the global, national and local economies. The report is now produced on a regular, quarterly basis. As such the latest available version will be presented to the Board for each of its meetings. When no new report is available from the previous meeting, a brief update will be provided to the Board covering any recent major developments.

The version presented here is the February 2019 Economic Update.

### **Main national and international headlines**

- 2.2 The main national and international headlines include:
- UK GDP growth slowed to 0.2% in Q4 2018, a marked slowdown from growth of 0.6% in Q3. The UK economy as a whole saw output decline by 0.4% in the month of December.
  - The Eurozone economy also grew by just 0.2% in Q4 2018, continuing the slow pace of growth seen in Q3.
  - The IMF has further revised down its global growth forecasts for 2019 and 2020, down from 3.7% in both years to 3.5% in 2019 and 3.6% in 2020. This is against a backdrop of slowing momentum, growing uncertainty in financial markets and the threat of trade wars inhibiting demand.
  - For the UK, the IMF expect growth of 1.5% in 2019 and 1.6% in 2020, a slight upturn from their previous forecasts. This is predicated on an orderly Brexit, however.

- The UK labour market remains strong – the employment rate returned to a joint record high of 75.8% in December.

### 2.3 Leeds City Region economic headlines

For Leeds City Region, the key headlines include:

- Manufacturers in Leeds City Region reported a sharp slowdown in domestic and export sales growth at the end of 2018, according to the Chambers of Commerce Quarterly Economic Survey (QES) for Q4 2018.
- Activity in the service sector was more buoyant, but profitability expectations declined in both sectors in Q4 with manufacturers seeing a sharper fall in confidence.
- 61% of respondents to the QES said they have devoted management time to considering potential impacts from Brexit.
- 54% of City Region businesses told the QES that they were either confident or very confident that they could withstand potential disruption from a “no deal” scenario, with 16% not very or not at all confident.
- Total goods exports from the region are 11.8% higher than Q3 2017, compared to 4.3% growth nationally.
- The number of people in work fell by almost 10,000 (0.7%) over the quarter. Unemployment also fell, down 1,600 (2.5%) to 63,600. The employment rate for Leeds City Region dropped from 73.7% in Q2 to 73.1% in Q3.

### 2.4 Local economic headlines

All districts in West Yorkshire saw employment fall in Q3, whilst all other districts in the City Region saw increases. Data can fluctuate from quarter to quarter however, and employment in the City Region is broadly in line with the same time period a year earlier.

Bradford (-4%) and Leeds (-1.9%) saw the sharpest quarter on quarter falls in employment. Whilst Leeds has seen employment increase over the past year, employment in Bradford is 5.6% down on a year ago. Harrogate (+5.2%) and York (+4.8%) have seen the strongest employment growth over the past year.

Bradford has also seen the strongest fall in unemployment over the past year, down 5,300 (-36.8%). Most districts have also seen unemployment fall, with the exception of Calderdale and Kirklees. Barnsley, Kirklees and Wakefield are the only LCR districts where the unemployment rate is presently above the UK average of 4.3%.

On house prices, Barnsley has seen the strongest growth with prices increasing by 6.1% over the past year, followed by Wakefield (5.7%).

Most districts saw prices increase faster than the 2.5% growth seen nationally, though prices were largely flat in Harrogate and Selby.

## **2.5 Brexit commentary and assessment**

The ongoing uncertainty associated with Brexit appears to be a factor influencing decision making.

Whilst stockpiling and forward planning is helping to offset this in some areas of manufacturing, the broader picture is of slowing momentum affected by both Brexit and more challenging global conditions.

Whilst it is encouraging that a majority of businesses surveyed have actively considered the implications of Brexit and are confident of withstanding a no deal scenario, there remains a substantial number who have either not taken action or are not confident their response is sufficient.

## **3 Financial Implications**

3.1 There are no financial implications directly arising from this report.

## **4 Legal Implications**

4.1 There are no legal implications directly arising from this report.

## **5 External Consultees**

5.1 No external consultations have been undertaken.

## **6 Recommendations**

6.1 To note the analysis presented in the economic update and dashboard.

## **7 Background Documents**

None.

## **8 Appendices**

Appendix 1 – Leeds City Region Economic Update Report

Appendix 2 – Leeds City Region Economic Dashboard

## ECONOMIC AND BREXIT MONITOR: LEEDS CITY REGION, FEBRUARY 2019

### Key points at glance

*This report presents the latest assessment of the Leeds City Region economy. It sets out recent national and international developments along with trends and forecasts for global growth. It considers in more detail the latest developments in Leeds City Region and the implications for the economy as the UK approaches its exit from the European Union.*

#### National and international headlines

- Recent concerns about trade tensions have escalated of late. Combined with signs of a cyclical slowdown in some major nations, the global economy has lost some momentum in late 2018 and early 2019.
- UK GDP growth slowed to 0.2% in Q4 2018, a marked slowdown from growth of 0.6% in Q3. The UK economy as a whole saw output decline by 0.4% in the month of December.
- The Eurozone economy grew by just 0.2% in Q4 2018, continuing the slow pace of growth seen in Q3.
- The US has yet to report official GDP for Q4 but recent economic data has been mixed.
- The IMF has further revised down its global growth forecasts for 2019 and 2020, down from 3.7% in both years to 3.5% in 2019 and 3.6% in 2020. This is against a backdrop of slowing momentum, growing uncertainty in financial markets and the threat of trade wars inhibiting demand.
- For the UK, the IMF expect growth of 1.5% in 2019 and 1.6% in 2020, a slight upturn from their previous forecasts. This is predicated on an orderly Brexit, however.
- The UK labour market remains strong – the employment rate returned to a joint record high of 75.8% in December.

#### Key City Region and local developments

- Manufacturers in Leeds City Region reported a sharp slowdown in domestic and export sales growth at the end of 2018, according to the Chambers of Commerce Quarterly Economic Survey (QES) for Q4 2018.
- Activity in the service sector was more buoyant, but profitability expectations declined in both sectors in Q4 with manufacturers seeing a sharper fall in confidence.
- 61% of respondents to the QES said they have devoted management time to considering potential impacts from Brexit
- 54% of City Region businesses told the QES that they were either confident or very confident that they could withstand potential disruption from a "no deal" scenario, with 16% not very or not at all confident.
- Total goods exports from the region are 11.8% higher than Q3 2017, compared to 4.3% growth nationally.
- The number of people in work fell by almost 10,000 (0.7%) over the quarter. Unemployment also fell, down 1,600 (2.5%) to 63,600.
- The employment rate for Leeds City Region dropped from 73.7% in Q2 to 73.1% in Q3.
- The number of employers looking to recruit slowed in the City Region in Q4 2018, according to the QES.

#### Brexit implications and conclusions

- The ongoing uncertainty associated with Brexit appears to be increasingly weighing on business confidence and is now clearly affecting decision making.
- Whilst stockpiling and forward planning is helping to offset this in some areas of manufacturing, the broader picture is of slowing momentum affected by both Brexit and more challenging global conditions.
- Nevertheless, the labour market remains strong which is driving increased earnings, which may in turn help to explain stronger than expected consumer activity.
- Whilst it is encouraging that a majority of businesses surveyed have actively considered the implications of Brexit and are confident of withstanding a no deal scenario, there remains a substantial number who have either not taken action or are not confident their response is sufficient.
- Whilst Brexit is prominent in the thinking of many, it is not the only issue affecting businesses at present. The threat of trade wars and a range of country specific issues are contributing to a global slowdown.
- Businesses also continue to report challenges recruiting staff, particularly manufacturers looking for specific or technical skills. This is despite data from ONS suggesting a small fall in employment in the City Region in recent quarters.

*These issues are explored in greater detail in the remainder of this document.*

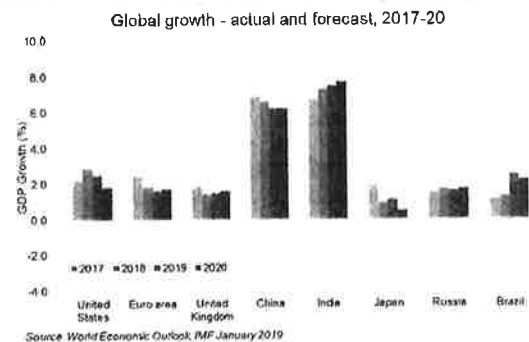
## ECONOMIC AND BREXIT MONITOR: LEEDS CITY REGION, NOVEMBER 2018

### Introduction

- This report presents the latest assessment of the Leeds City Region economy. It sets out recent global and national developments before considering in more detail the latest data for Leeds City Region and the implications for the economy as the UK approaches its exit from the European Union.
- New data available includes updated global economic forecasts from the IMF, whilst new official UK data is available on monthly GDP and the labour market up to the end of 2018 2018. There is also new official data on trade, inflation and retail activity and survey data on business sentiment.
- For Leeds City Region, the Quarterly Economic Survey with the Chambers of Commerce provides insight on business sentiment for Q4 2018. Labour market data from ONS for Q3 2018 and regional goods exports data from HMRC for the same period are also presented. Banksearch on the number of new business bank accounts for Q4 2018 and CoStar data on the commercial property market are available for Q1 2019.

### Global economic and political developments

- Recent concerns about trade tensions have escalated of late. Combined with signs of a cyclical slowdown in some major nations, the global economy has lost some momentum in late 2018 and early 2019.
- The Eurozone economy grew by just 0.2% in Q4 2018, continuing the slow pace of growth seen in Q3. Within the Eurozone, Italy fell into recession for the third time in a decade whilst early data suggests Germany has narrowly avoided a recession with flat or very low growth.
- The US has yet to report official GDP for Q4 but recent economic data has been mixed. Whilst the jobs market remains robust, recent data has pointed to falling activity in both manufacturing and retail, likely influenced by the recent government shutdown.
- The Chinese economy grew by 6.6% across 2018, the country's lowest output growth for 28 years. Growth is expected to slow further in 2019 as the country grapples with tighter domestic controls and the continued threat of an escalating trade war with the US.
- The IMF has further revised down its global growth forecasts for 2019 and 2020, down from 3.7% in both years to 3.5% in 2019 and 3.6% in 2020. This is against a backdrop of slowing momentum, growing uncertainty in financial markets and the threat of trade wars inhibiting demand.
- For the UK, the IMF expect growth of 1.5% in 2019 and 1.6% in 2020, a slight upturn from their previous forecasts. They expect the "prolonged uncertainty" caused by Brexit to be offset by the benefits of fiscal stimulus announced in the Budget. However, these forecast are predicated on an orderly transition from EU membership.
- As the deadline for the UK to leave the EU approaches with the details of any agreement still unclear, a number of nationally significant businesses announced decisions to move some or part of their operations.
- The automotive industry has seen significant movements with Honda announcing the closure of its Swindon plant, and Nissan shifting the manufacture of some models away from Sunderland. Honda have emphasised that Brexit is not the driver of its decision, blaming "global issues", though Nissan said "the continued uncertainty around the UK's future relationship with the EU is not helping companies like ours to plan for the future."
- A survey by the CBI highlights the challenges facing the UK automotive sector, which was one of eight industries to see output decline in the organisation's latest Industrial Trends survey. Overall the survey found slowing activity, though more companies are increasing output than cutting it.
- A survey by the Institute of Directors found that 29% of UK companies were planning to move at least part of their operations overseas in the event of no deal materialising, or had already acted to do so.



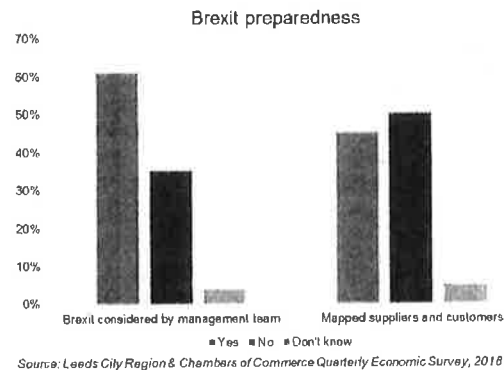
**Global economy summary:** There is a broad based slowdown in economic activity, partly driven by global, cyclical factors but also a range of country-specific issues. This trajectory is expected to continue in the coming months, leaving British businesses facing a combination of uncertain conditions at home and slowing demand from abroad.

UK economic dashboard			
Indicator	Latest position	Chart	Trend
<b>Economic headlines</b>	<p>UK GDP growth slowed to 0.2% in Q4 2018, a marked slowdown from growth of 0.6% in Q3. The service sector expanded by 0.4% but manufacturing (-0.9%) and construction (-0.3%) both contracted.</p> <p>The UK economy as a whole saw output decline by 0.4% in the month of December. Car manufacturing and steel production experienced particularly sharp falls, with Brexit uncertainty cited as a key factor.</p>	<p>UK GDP growth, 2008-19</p>	
<b>Confidence and sentiment</b>	<p>All sectors of the economy have seen a marked slowdown at the start of 2019 according to Markit's PMI surveys. Activity in the service and construction sectors fell close to the 50 point level, which indicates declining output, in January.</p> <p>Whilst manufacturing was a little more positive, it still experienced a slowdown. Stockpiling at the fastest rate in the survey's 27 year history helped sustain activity, but employment also fell in the sector.</p>	<p>Purchasing Managers Index (PMI) by sector, 2016-19</p>	
<b>Labour market</b>	<p>The number of people in work in the UK increased by 167,000 in the last three months of 2018 to 32.6 million, according to ONS. The employment rate returned to a joint record high of 75.8%.</p> <p>Unemployment fell by 14,000 to 1.36 million, and the number economically inactive fell by 94,000. The unemployment rate remained steady at 4%.</p>	<p>UK employment growth 2008-18</p>	
<b>Trade and exports</b>	<p>Following a slowdown in late 2018, retail sales increased by 0.7% in the three months to January, and by 3.5% on the same period a year earlier. Clothing stores enjoyed a strong January, with food stores also seeing growth.</p> <p>The UK's trade deficit widened to £10.4bn in the three months to December, with a £1.8bn increase in imports outpacing £1bn growth in exports.</p>	<p>UK retail sales, 2008-19</p>	
<b>Inflation and wages</b>	<p>Inflation fell to 1.8% in January, below the official target of 2% for the first time since January 2017. Falling energy costs were a key factor.</p> <p>Average earnings increased by 3.4% in the three months to December, maintaining recent strong growth. Combined with falling inflation, real pay has increased by 1.2% in the past three months.</p>	<p>Wage growth and inflation, 2008-19</p>	
<p><b>Brexit implications:</b> The ongoing uncertainty associated with Brexit appears to be increasingly weighing on business confidence and is now clearly affecting decision making. Whilst stockpiling and forward planning is helping to offset this in some areas of manufacturing, the broader picture is of slowing momentum affected by both Brexit and more challenging global conditions. Nevertheless, the labour market remains strong which is driving increased earnings, which may in turn help to explain stronger than expected consumer activity.</p>			

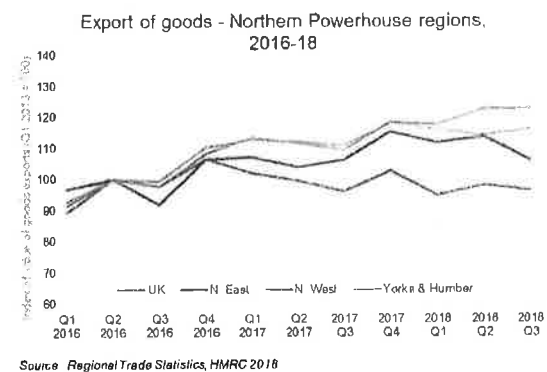
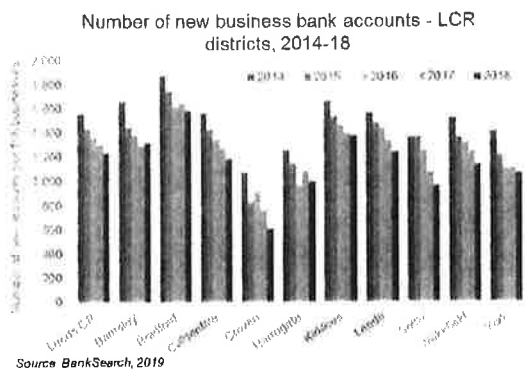


**Leeds City Region – Business Performance and Trade**

- Manufacturers in Leeds City Region reported a sharp slowdown in domestic and export sales growth at the end of 2018, according to the Chambers of Commerce Quarterly Economic Survey (QES) for Q4 2018.
- Whilst more manufacturers continue to report growth than declining sales, the net balance has dropped from 33% for both home sales and exports in Q3, to 17% for home sales and 14% for exports in Q4.
- Activity in the service sector was more buoyant, with a net balance of 37% reporting increased domestic sales, up from 33% in Q3 and export activity unchanged.
- Profitability expectations declined in both sectors in Q4 with manufacturers seeing a sharper fall in confidence. Rising input prices appear to be a factor, driven by currency fluctuations but also by a shortage of supply as companies look to build up stock in advance of Brexit.
- In contrast, the Natwest Regional PMI found business confidence in the region was higher than most other UK regions in February, though jobs growth remained modest.
- Businesses in the Q4 QES were asked specifically about their Brexit preparations. 61% said they have devoted management time to considering potential impacts from Brexit, and 45% said they had mapped their supplier and customer base and considered potential impacts.
- Only 10% said they had already made changes to their operating model or business strategies in response to Brexit, though a further 30% said they expected to do so at some stage. 54% of City Region businesses told the QES that they were either confident or very confident that they could withstand potential disruption from a “no deal” scenario, with 16% not very or not at all confident.



- There were 3,700 new business bank accounts opened in Leeds City Region in the last quarter of 2018, a similar number to the 3,800 recorded in both Q3 2018 and Q4 2017. 15,500 new accounts were opened over 2018 as a whole, down 5.9% on 2017 and the lowest annual total since data collection began in 2008. The number of new accounts was down 8.4% nationally over the year.
- Most districts in Leeds City Region saw a fall in the number of new business bank accounts opened in 2018, with only Barnsley seeing a small (1.8%) increase.



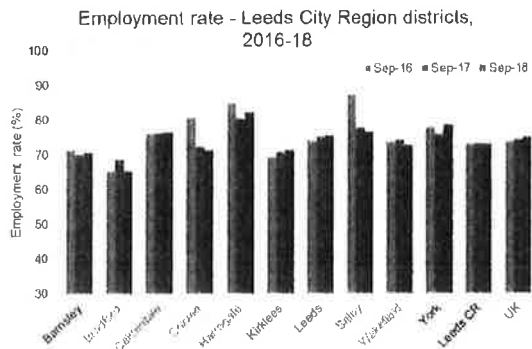
- The value of goods exported from Yorkshire & Humber was largely unchanged between Q2 2018 and Q3 2018 at £4.55bn. There was a 1.6% drop in EU exports, and a 2.2% increase in trade with other markets.
- Total goods exports from the region are 11.8% higher than Q3 2017, compared to 4.3% growth nationally.

**Brexit implications:** City Region businesses reported slowing sales and falling confidence at the end of 2018. Whilst it is encouraging that a majority of businesses surveyed have actively considered the implications of Brexit and are confident of withstanding a no deal scenario, there remains a substantial number who have either not taken action or are not confident their response is sufficient.

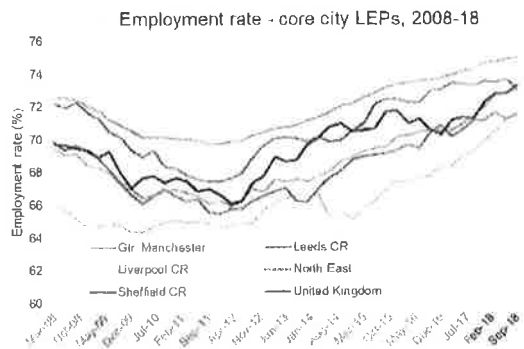


**Leeds City Region – Labour Market**

- There were 1.41 million Leeds City Region residents in work at the end of Q3 2018, an employment rate of 73.1% according to the ONS Annual Population Survey. The number of people in work fell by almost 10,000 (0.7%) over the quarter. Unemployment also fell, down 1,600 (2.5%) to 63,600.
- All districts in West Yorkshire saw employment fall this quarter, whilst all other districts in the City Region saw increases. Data can fluctuate from quarter to quarter however, and employment in the City Region is broadly in line with the same time period a year earlier. UK employment is up 0.2% from Q2 to Q3, and 1% over the year.
- Most core city LEPs saw total employment increase between Q2 and Q3 2018 with Sheffield City Region (+0.8%) seeing the fastest growth. Over the past year, the 0.1% employment growth seen in Leeds City Region is below that of other core city LEPs. Employment in both Sheffield and Liverpool City Regions increased by 3.2% over the past year.

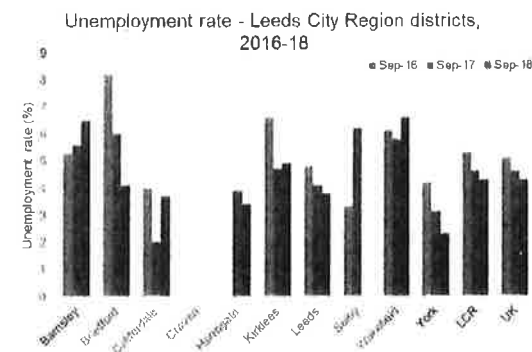


Source: Annual Population Survey, NOMIS, 2019



Source: Annual Population Survey, NOMIS 2019

- The employment rate for Leeds City Region dropped from 73.7% in Q2 to 73.1% in Q3. This employment rate is similar to Sheffield City Region (73.3%) and Greater Manchester (73%) but below West of England and D2N2 among core city LEPs.
- The number of employers looking to recruit slowed in the City Region in Q4 2018, according to the QES. A net balance of 17% of manufacturers and 18% of service sector companies have expanded their headcount. Looking ahead, fewer companies in both sectors are expecting to increase their workforce in early 2018.
- Whilst Brexit uncertainty is likely to be a factor inhibiting recruitment for some, many companies, and particularly manufacturers, point to a shortage of skilled workers as a key constraint on their expansion plans.



Source: Annual Population Survey, NOMIS, 2018



Source: LCR and Chambers of Commerce Quarterly Economic Survey, Q4 2018

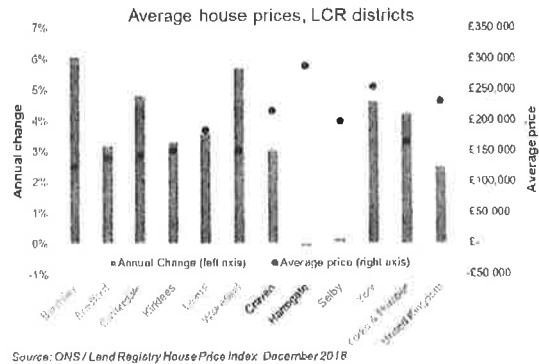
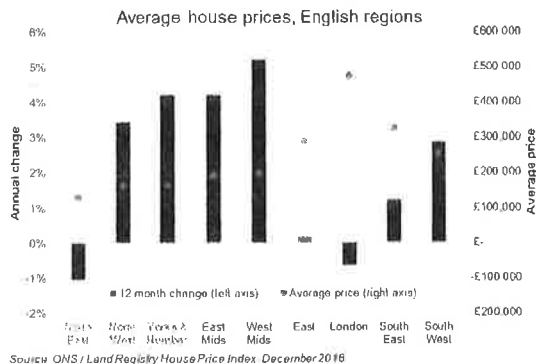
- Looking at unemployment, there was again a split between West Yorkshire and other parts of the City Region, with most non-West Yorkshire districts seeing unemployment fall, offsetting a 1,100 increase across West Yorkshire as a whole. Bradford was the only West Yorkshire district where the number out of work fell, down 1,600 (15%) to 9,100.

**Brexit implications:** The employment picture is less positive locally than it is nationally this quarter. Though local data is less reliable and can fluctuate, survey data supports the view that businesses are less inclined to recruit. A lack of available skills, as much as Brexit uncertainty, seems to be a driver of this.

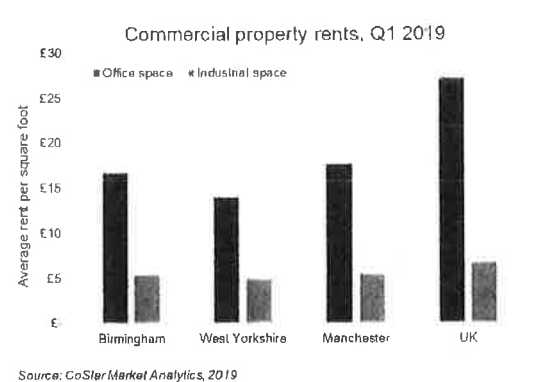
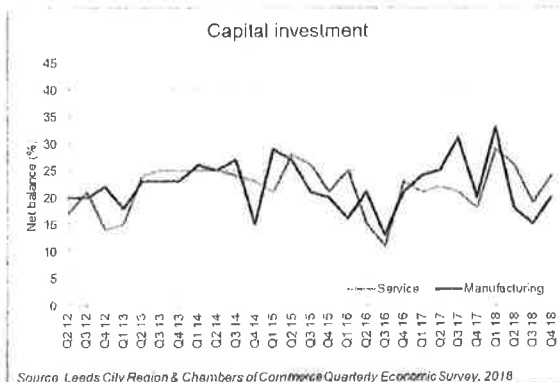


**Leeds City Region – Housing, Property and Investment**

- House prices in Yorkshire & Humber increased by 4.2% in the year to December 2018 to an average of £165,100. Prices increased by 2% between November and December.
- The region's annual growth rate is the same as the East Midlands, and only West Midlands (+5.2%) saw faster growth last year. The North East (-1%) and London (-0.6%) saw prices fall.
- However, sales volumes were down across all regions in the year to October 2018. There were 10.7% fewer sales in this period in Yorkshire & Humber compared to a 12.3% fall nationally and a 16.8% fall in the South East.



- Within the City Region, Barnsley has seen the strongest growth with prices increasing by 6.1% over the past year, followed by Wakefield (5.7%).
- Most districts saw prices increase faster than the 2.5% growth seen nationally, though prices were largely flat in Harrogate and Selby.
- Capital investment by businesses in the City Region increased in Q4 2018 according to the QES. Both manufacturers and service sector firms saw the net balance increase by 5 points from Q3. Anecdotally, the Chambers report that many companies are only investing to meet current order books and that longer term investment is on hold pending the outcome of EU negotiations.



- Local property agents report in the QES a doubling in the value of land for industrial use over the last 12 months along with a 25% increase in rental values for warehousing. This at least in part is being driven by demand from manufacturers and retailers looking for space for stock holding in preparation for any disorderly exit from the EU.
- Whilst vacancy rates for office space have continued to fall in West Yorkshire according to CoStar, the vacancy rate for industrial space has increased slightly at the start of 2019 following falls over previous quarters.
- With vacancy rates are at or close to historic lows, at 4.5% for office space and 3.2% for industrial, average rents continue to increase, up 1.1% for office space and 2% for industrial space over the past year. Average rents remain lower than in other comparator city regions, however.



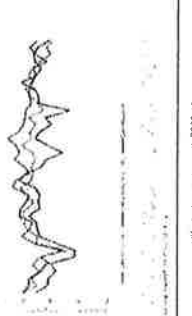
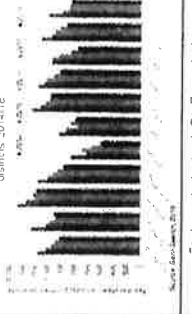
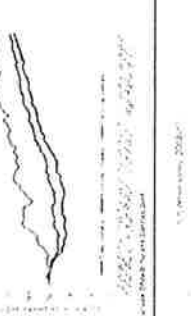
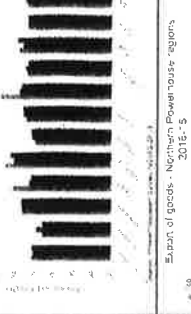
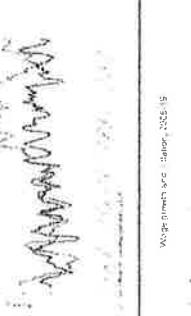
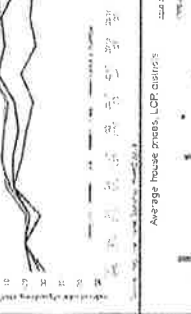
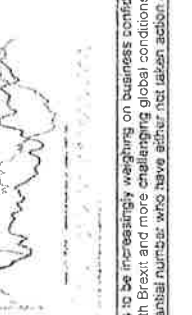
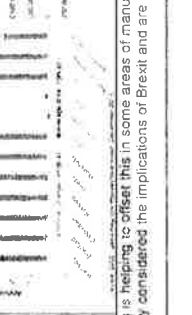
**Brexit implications:** Although house prices are holding up, the fall in sales volumes indicates that few households are willing to make significant investment decisions at a time of uncertainty. The same appears to be true of businesses, though increased take up of warehouse space is symptomatic of businesses taking steps to secure supplies ahead of the EU exit



## Conclusions and outlook

- The impacts of the ongoing uncertainty from Brexit appear more evident in the data this quarter than in recent times. Whilst the overall picture remains one of growth, both local and national surveys point to an increasing number of businesses concerned about what the post-March trading environment will look like. Harder GDP data now appears to be reflecting this, with output declining in December.
- Whilst Brexit is prominent in the thinking of many, it is not the only issue affecting businesses at present. The threat of trade wars and a government shutdown in the US, protests in France and falling business confidence in Germany are all contributing to a global slowdown. In spite of the additional issue of Brexit, growth in the Eurozone is not outpacing that of the UK at present.
- Clearly this is affecting conditions in key markets for Leeds City Region exporters. Combined with Brexit, this equates to a challenging trading environment and helps to explain falling business confidence this quarter.
- As reported above, surveys suggest a majority of businesses in Leeds City Region have actively considered both the challenges and opportunities from Brexit at board room level. Close to half have looked to understand the implications for their supply chains and customer base. This, combined with the evidence suggesting increased demand for inputs and storage space, shows many businesses are taking steps to mitigate the risks of a disorderly exit in March.
- However, the finding in the QES that a third of businesses have not considered Brexit at management level, and one in six are not confident of withstanding a disorderly exit, emphasises the scale of the risk that such an uncertain scenario poses.
- Anecdotal evidence emphasises that whilst many businesses in the City Region share concerns about what happens post-March, some of the challenges and responses are highly specific to certain industries or businesses. Chemical manufacturers have for example are considering how changes to the REACH regulations governing their import and export could have a significant impact on both lead times and administration costs.
- Businesses also continue to report challenges recruiting staff, particularly manufacturers looking for specific or technical skills. This is despite data from ONS suggesting a small fall in employment in the City Region in recent quarters.
- Whilst access to appropriately skilled workers is not a new development, the combination of high employment reducing the talent pool available, and the risk of reduced access to overseas labour appears to be bringing the issue to the forefront of businesses' minds.
- The issue of stockpiling is clearly not unique to UK businesses, with evidence suggesting some overseas clients have brought forward post-March orders. This perhaps explains recent strong export performance for manufacturers in our region, but at a practical level creates resourcing and capacity issues for some companies.
- Given that access to labour is scarce and a range of factors mean that demand from customers is less predictable than usual, businesses face a real challenge in allocating their resources effectively. The increase in wages seen in recent months evidences the need for businesses to attract and retain workers in a competitive market place, whilst the slight upturn in capital investment seen in the QES last quarter suggests that, despite a reluctance to make large-scale investments, businesses are having to look at alternative ways to meet demand rather than hiring more workers.
- At a broader level, despite signs of a slowdown it may be the case that Brexit preparations are actually resulting in an uplift in economic activity at present as spending originally planned for post-March is brought forward. In this scenario, a post-March slowdown might be expected whatever the outcome of Brexit negotiations, as inventories are unwound.

*This briefing has been produced by the West Yorkshire Combined Authority Research & Intelligence team. Any comments or queries can be addressed to [research@westyorks-ca.gov.uk](mailto:research@westyorks-ca.gov.uk).*

National and international		Leeds City Region	
Indicator	Latest position	Indicator	Latest position
<p><b>Economic headlines</b></p> <p>Recent concerns about trade tensions have escalated of late. Combined with signs of a cyclical slowdown in some major nations the global economy has lost some momentum in late 2018 and early 2019.</p> <p>UK GDP growth slowed to 0.2% in Q4 2018, a marked slowdown from growth of 0.6% in Q3. The UK economy as a whole saw output decline by 0.4% in the month of December.</p>	<p>UK GDP growth, 2005-18</p> 	<p><b>Economic headlines</b></p> <p>Manufacturers in Leeds City Region reported a sharp slowdown in domestic and export sales growth at the end of 2018, according to the Chambers of Commerce Quarterly Economic Survey (QES) for Q4 2018. Activity in the service sector was more buoyant.</p> <p>54% of City Region businesses told the QES that they were either confident or very confident that they could withstand potential disruption from a "no deal" scenario, with 16% not very or not at all confident.</p>	<p>Export preparedness</p> 
<p><b>Business performance &amp; confidence</b></p> <p>All sectors of the economy have seen a marked slowdown at the start of 2019 according to Markit's PMI surveys. Activity in the service and construction sectors fell close to the 50 point level, which indicates declining output, in January.</p> <p>Whilst manufacturing was a little more positive, it still experienced a slowdown. Stockpiling at the latest rate in the survey's 27 year history helped sustain activity, but employment also fell in the sector.</p>	<p>UK Manufacturing Output PMI, 2005-19</p> 	<p><b>Business performance &amp; confidence</b></p> <p>Profitability expectations declined in both sectors in Q4 with manufacturers seeing a sharper fall in confidence. Rising input prices appear to be a factor, as companies look to build up stock in advance of Brexit.</p> <p>15,500 new business bank accounts were opened over 2018 as a whole in Leeds City Region, down 5.9% on 2017 and the lowest annual total since data collection began in 2008. The number of new accounts was down 8.4% nationally over the year.</p>	<p>Number of new business bank accounts - LCR districts, 2014-18</p> 
<p><b>Labour market</b></p> <p>The number of people in work in the UK increased by 167,000 in the last three months of 2018 to 32.5 million, according to ONS. The employment rate returned to a joint record high of 75.8%.</p> <p>Unemployment fell by 14,000 to 1.36 million, and the number economically inactive fell by 94,000. The unemployment rate remained steady at 4%.</p>	<p>UK Employment Growth, 2005-18</p> 	<p><b>Labour market</b></p> <p>The number of people in work fell by almost 10,000 (0.7%) over the quarter. Unemployment also fell, down 1,600 (2.5%) to 63,600.</p> <p>The employment rate for Leeds City Region dropped from 73.7% in Q2 to 73.1% in Q3. This employment rate is similar to Sheffield City Region (73.3%), and Greater Manchester (73%) but below West of England and D2N2 among core city LEPs.</p>	<p>Employment rate - Leeds City Region districts, 2016-18</p> 
<p><b>Trade and exports</b></p> <p>Following a slowdown in late 2018, retail sales increased by 0.7% in the three months to January, and by 3.5% on the same period a year earlier. Clothing stores enjoyed a strong January, with food stores also seeing growth.</p> <p>The UK's trade deficit widened to £10.4bn in the three months to December, with a £1.8bn increase in imports outpacing £1bn growth in exports.</p>	<p>UK Retail Sales Growth, 2005-18</p> 	<p><b>Trade &amp; exports</b></p> <p>The value of goods exported from Yorkshire &amp; Humber was largely unchanged between Q2 2018 and Q3 2018 at £4.55bn. There was a 1.6% drop in EU exports, and a 2.2% increase in trade with other markets.</p> <p>Total goods exports from the region are 11.8% higher than Q3 2017, compared to 4.3% growth nationally.</p>	<p>Export of goods - Northern Powerhouse regions, 2016-18</p> 
<p><b>Inflation and wages</b></p> <p>Inflation fell to 1.8% in January, below the official target of 2% for the first time since January 2017. Falling energy costs were a key factor.</p> <p>Average earnings increased by 3.4% in the three months to December, maintaining recent strong growth. Combined with falling inflation, real pay has increased by 1.2% in the past three months.</p>	<p>Wages, prices and inflation, 2005-18</p> 	<p><b>Housing and property</b></p> <p>House prices in Yorkshire &amp; Humber increased by 4.2% in the year to December 2018 to an average of £165,100. Prices increased by 2% between November and December. The region's annual growth rate is the same as the East Midlands, and only West Midlands (+5.2%) saw faster growth last year.</p> <p>However, sales volumes were down across all regions in the year to October 2018. There were 10.7% fewer sales in this period in Yorkshire &amp; Humber compared to a 12.3% fall nationally.</p>	<p>Average house prices, LCR districts</p> 
<p><b>Summary</b></p> <p>The ongoing uncertainty associated with Brexit appears to be increasingly weighing on business confidence and is now clearly affecting decision making. Whilst stockpiling and forward planning is helping to offset this in some areas of manufacturing, the broader picture is of slowing momentum affected by both Brexit and more challenging global conditions. Whilst it is encouraging that a majority of City Region businesses surveyed have actively considered the implications of Brexit and are confident ofwithstanding a no deal scenario, there remains a substantial number who have either not taken action or are not confident their response is sufficient.</p>			





---

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

**22 March 2019**

**Future High Streets Fund – Expression of Interest**

**Summary**

1. The Executive Member is asked to note that an Expression of Interest has been submitted to the Future High Street Fund, a central government funding opportunity to tackle the challenges facing town and city centres. The Expression of Interest does not commit the council to proceeding with a full bid or to any funding as successful applicants will be invited to submit a full business case at a later date. This is an information only paper and requires no decision.

**Recommendations**

2. The Executive Member is asked to note that an Expression of Interest has been submitted to the Future High Streets Fund.

**Background**

3. In December 2018 the government launched the Future High Street Fund, an opportunity for local authorities to bid for a share of £675m to help respond to the challenges affecting town centres and high streets across the country. Each authority can bid for up to £25m, although it is anticipated most successful bids will be in the region of £10m to £15m, for a single transformative submission that responds to the specific challenges of a high street in their area. The funding is not intended to facilitate surface level public realm improvements or to replicate roles that are already the responsibility of local authorities, but for a bold intervention that helps secure the future sustainability of the high street.

4. The bidding process required the submission of a light touch Expression of Interest by 22 March 2019. Successful authorities will be announced in the summer and will then proceed to full business case submissions. The purpose of the Expression of Interest is to define the high street area for which the funding is being sought, establish the challenges facing that high street, and set out the high level strategy for responding to those challenges.
5. In discussion with key stakeholders it was agreed that the council should submit an Expression of Interest. Whilst at face value York city centre is performing comparatively well there are specific challenges facing the main shopping area, particularly Coney Street, which point to a potential broader market failure. Much of these issues relate to medium to large floor plate retail which are not attractive to the market; the prevalence of distant institutional investors with over-inflated expectations of rents; significant empty spaces above shops; and high property values making local authority intervention challenging.
6. The bid criteria does allow for local authority areas of a certain size to submit multiple bids to ensure that authorities with several town centre areas and market towns do not have to choose between one location. Due to the population size of York we do exceed the threshold that would allow two separate Expressions of Interest to be submitted. However, it was decided that, as a single city authority with only modest high street areas outside of the centre, that we should not look to submit multiple bids for different locations, and that two bids focussed on the city centre would undermine the strength of a single submission that provides a clear response to our unique challenges.

## **Consultation**

7. The challenges set out in paragraph 5 have been agreed in consultation with the York Retail Forum, the York BiD, Make It York, Indie York and the York Retail Taskforce. This process, and a visual depiction of the challenges (with those identified as most pertinent to York in red) are set out in annex 1. In addition to agreeing the challenges York Retail Forum and the BiD ran a stakeholder workshop to consider the fund criteria and develop a proposed response to those challenges. The outcome of this session has helped form the focus of the bid set out in the analysis section below.



8. Whilst the focus of the Expression of Interest is broadly supported by all parties an alternative proposal was also put forward to focus on unlocking empty space above shops for residential development and/or office space. This proposal also had significant merit. However on balance it was felt that it did not respond to the full range of agreed unique challenges facing York and was unlikely to be considered to be sufficiently bold and transformative to secure funding. For the reasons discussed in paragraph 8 it was also decided that we should not submit the alternative proposal as a secondary bid. However, tackling empty spaces above shops does form part of the final Expression of Interest approach, and officers will continue to work with those stakeholders to consider a coordinated approach to this problem outside of the Future High Streets Fund process.

## **Analysis**

9. Having considered the challenges facing York, the bid criteria, and the views of stakeholders it was decided that the Expression of Interest should focus on a multi-layer response to tackling the issues facing Coney Street, with a particular focus on reconnecting with the river:
  - A connection with the river would improve the local environment, attracting greater footfall and re-establishing the historic relationship with the river
  - It would open up the under-used and neglected spaces behind buildings that currently turn their back on the riverside
  - New river access would encourage property owners to respond by investing and remodelling their retail units to benefit from the dual frontage, matching public investment and making more efficient use of buildings and creating space for York's successful small independent traders
  - New ground floor access could be created to allow empty upper floors to be remodelled for alternative uses such as residential ("living over the shop") and office space
  - Dedicated planning and conservation resource would allow a one stop shop for landlords and developers to support the remodelling of their buildings
  - Allow a separation of uses, with the river-side focused on leisure and residential and Coney Street itself returned to a family shopping environment

10. There are a range of interventions that could deliver the strategy. An ambitious approach could be to acquire a property along Coney Street for demolition to allow a redevelopment creating a new connection with the river and an exemplar to developers of a new mixed use development benefiting from the riverside. Lower intervention approaches would be to use existing access points down to the river to link up with vacant spaces and potential continue existing riverside boardwalks to create a continual route. Which approach is deliverable and viable would be developed at full business case should the Expression of Interest be successful.

### **Council Plan**

11. If successful securing funding would assist in achieving the council plan objectives through the creation of a Prosperous City for All, and the vision to be a council that listens to residents, particularly by ensuring that:
  - Everyone who lives in the city can enjoy its unique heritage and range of activities
  - Visitors, businesses and residents are impressed with the quality of our city
  - Local businesses can thrive
  - We are entrepreneurial, by making the most of commercial activities
  - We engage with our communities, listening to their views and taking them into account

### **Implications**

12. The Expression of Interest has no implications for the council. It is a light touch submission process, and resource will only be committed to developing the full business case if the Expression of Interest is successful. There would be no commitment to proceed to full business case stage if it was decided at a later stage that the council did not want to proceed with a formal bid.

### **Risk Management**

13. To ensure there is no reputational risk to the council key stakeholders have been involved in identifying the challenges and the vision for the Expression of Interest, and to ensure a high quality considered bid has

been prepared. As the application process is light touch and predominantly narrative based it has not required significant officer resource to prepare the bid. Should the bid be successful there will be revenue funding from central government for the preparation of the full business case, and if the decision was taken not to proceed to full business case then there are no consequences for the council.

## Contact Details

**Author:**

**Andy Kerr**  
**Commercial Project Manager**  
**Major Projects and**  
**Regeneration**  
01904 554 153

**Chief Officer Responsible for the report:**

**Tracey Carter**  
**Assistant Director for Regeneration and**  
**Asset Management**

**Report**  **Date** 13 March 2019  
**Approved**

**Wards Affected:** Guildhall

**All**

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

**Background Papers:**

None

**Annexes**

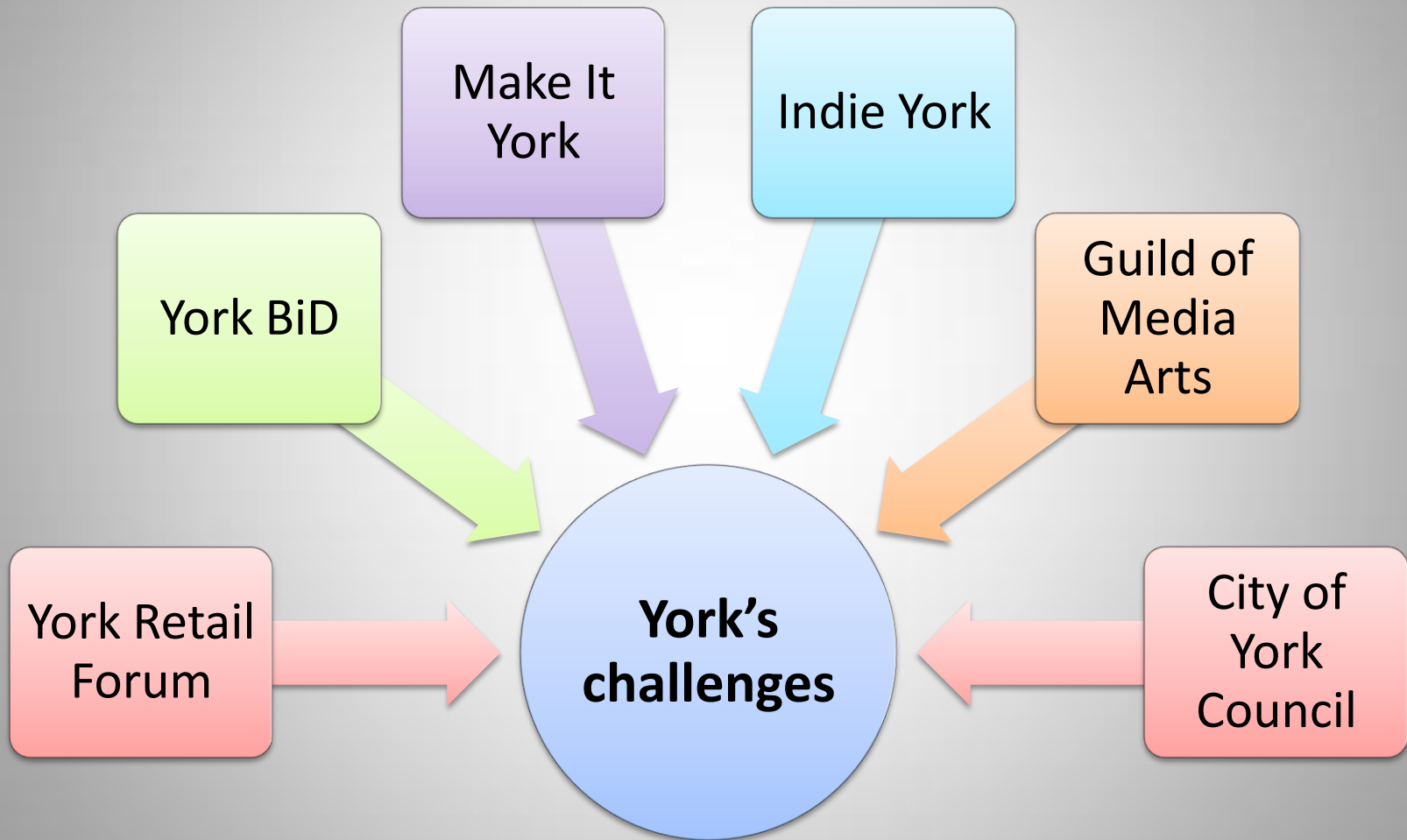
Annex 1 – Future High Streets Fund – York’s challenges

**List of Abbreviations Used in this Report**

None

This page is intentionally left blank

# Defining York's challenges





**CONEY STREET**

