

**5 November 2013**

## **Report of the Leader of the Council**

### **Supporting economic growth by attracting and supporting investment to the City of York**

#### **Executive Summary**

1. This report provides an update on the city's economic performance, setting out the specific productivity challenge that the city faces, and recommends the development of new approaches to attracting investment to the city – both of which are covered in two supplementary reports to this item.
2. This report is set within the context of the *York Economic Strategy, 2011-15*, which the Council has been working with partners to deliver in order to achieve the vision which private and public sector partners launched in November 2011 as the core of this city-wide strategy.

#### **Background**

3. In 2011, Council representatives along with other public, private and third sector partners forming the York Economic Partnership (YEP) jointly developed the *York Economic Strategy 2011-15 (YES)* – a city-wide strategy for economic growth. Within the YES, the city has collectively set ambitious targets in its pursuit of high quality economic growth.
4. Within that headline strategy, the YEP has boldly set overall targets of becoming a top 5 UK for competitiveness, and top 10 mid-sized European city on a similar benchmark, based on a

basket of measures as included in the Huggins Competitiveness Index.<sup>1</sup> Although not a perfect measure by any means, the Index and the proxy created for the YES set out a balanced approach to measuring economic competitiveness for the city.

5. As a core partner of the YEP, the Council is responsible for coordinating and delivering significant parts of the YES agenda, including its remit for economic development and regeneration activities.

### ***Update on pursuit of YES targets***

6. Although the city has made significant progress against the headline targets set in the strategy, increasing its composite ranking from 13 to 5 in the UK,<sup>2</sup> and now ranked 6<sup>th</sup> amongst comparator European cities using a proxy set of indicators, the city performs in a variable way across the basket of measures.

<b>Top Five Economy - Basket of Indicators</b>				
<b>Indicator</b>	<b>Rank October 2013</b>	<b>Rank July 2013</b>	<b>Rank April 2013</b>	<b>Rank January 2013</b>
Employment rate Apr 2012 – March 2013 (%)	13	8	2	6
Working age population with qualification at NVQ4+ (%) 2012	7	7	7	7
Total CO	12	12	12	12
Business stock 2010 per 10,000 population	20	20	20	20
GVA 2009 £ per capita	26	26	26	26
<b>Overall Rank</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>6</b>

7. The city clearly has a strong core base of economic assets in its high quality workforce, high quality of life and high quality of

<sup>1</sup> See York Economic Strategy 2011 – 15.

<sup>2</sup> When measured against the 64 cities measured by Centre for Cities using the indicators agreed by the YEP Board as a proxy for the Huggins Index

business environment – all of which add up to its reputation locally as a quality destination.

8. Recently voted one of the top five places in the UK for business investment, the city of York has ranked number one for human resources by Local Futures Inward Investment Guide to England, and number 2 for talent according to Santander's Towns and Cities Index 2013.
9. The recent high profile move to the city by Hiscox Ltd has signalled the city's resurgence in the nation's and Europe's consciousness as a city for business and living. The city's openness and eagerness to welcome new business and investment has seen *The Economist* heralding the city as a "Northern light" – suggesting that the city has "found a recipe for post-industrial success."<sup>3</sup>
10. Ideally located within two hours of London and Edinburgh, and within an hour and a quarter of four international airports, the city is a natural hub for enterprise and expertise.
11. Despite the strength of its economic assets and performance on a number of indicators, however, the city underperforms on measures of **productivity** – a measure of *economic output per person*. On productivity, the city ranks only 16<sup>th</sup> amongst European comparator cities, and 26<sup>th</sup> out of 64 English cities measured by Centre for Cities.<sup>4</sup>
12. Productivity is vital to the city's ability to support business growth, enabling businesses to get more output from the resources in which they invest. As such, productivity is also important to making improvement in real incomes and economic well-being for residents.
13. There are several barriers facing the city in overcoming this challenge of productivity, however:

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<sup>3</sup> The Economist. "York's booming economy: Northern light." (13 July 2013).

<sup>4</sup> Data taken from 2009, latest available.

- Where businesses are looking to grow in the city, there is a lack of suitable commercial premises, and their workforces find it increasingly difficult to find homes in the city
- Despite a strong high level skills base and research and development base, the city is not punching at its weight in the attraction of high value employment to the city. Moreover there is evidence of underemployment, whereby graduates coming out of university with NVQ4 and above qualifications, staying in the city but not able to find jobs of the skill requirements they have the potential to undertake
- The visitor economy and related industries which are so central to the York economic offer tend to perform at a much lower productivity rate than other sectors.

### **Tackling the productivity problem – an ambitious two-pronged approach**

14. In order to “up its game” on productivity, the city will need to attract and grow higher value employment and investment into the city. This investment is critical to improving overall GVA per head in the city, and thus progress in tackling its productivity challenge.
15. This paper builds a vision a more effective and efficient approach to creating the environment, in terms of both hard and soft infrastructure for business growth. In doing so, the reports set out a two pronged approach:
  - A **marketing and business development agency** responsible for creating and promoting a consistent brand and messages for the city of York, and providing a market-facing interface to generate interest in the city’s offer – both to visitors and investors.
  - An **investment vehicle** that will transform the ability of the city to attract new development to the city which will open up the potential

of the city to deliver the space the city, its businesses and its communities need to grow.

16. Proposals relating to each of these ambitions are set out in the two supplementary reports to this item. These proposals set a direction of travel of which it is proposed further development is undertaken, with full propositions being brought back to Cabinet in December for formal approval.
17. It is proposed that in developing these proposals for new ways of working that the Council work closely with key stakeholders including the York Economic Partnership Board to shape the propositions.

### **Council Plan**

18. The delivery of the YES and the tackling of the productivity challenge in particular has a direct impact on the ability of the city to deliver Council Plan Priority to **Create Jobs Grow the Economy** by enabling the Council to work in partnership with the private and third sectors as well as other key public sector organizations with a stake in the economic performance of the city.

### **Implications**

19. The implications of this report are covered by the two following supplementary reports.

### **Risk Management**

20. There are no risks associated with this report.

### **Recommendations**

21. It is recommended that the Cabinet:
  - note progress and challenges remaining in the delivery of the *York Economic Strategy 2011-15*;

- consider the supplementary reports and their recommendations for new ways of working to deliver against these ambitions; and
- approve the proposal to work with the YEP Board to develop these proposals for new ways of working.

Reason: To ensure members understand changes required for more effective delivery of economic growth.

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	<b>Report Approved</b>	√	<b>Date</b> 24 October 2013
<b>Specialist Implications Officer(s)</b> None			
<b>Wards Affected:</b> All			√
<b>For further information please contact the authors of the report</b>			

**Background Papers:** None

**Annexes:** York Economic Strategy 2011-15