
Economic Development Partnership Board

11 March 2008

Report of the Director of City Strategy

PROGRESS ON KEY ISSUES

Summary

1. The report briefs Board members on issues/progress on key areas of economic development activity in the past six months, since the previous update in September 2007.

Background

2. This is the progress on key issues report which is given at the Economic Development Partnership Board to update members on projects.

Consultation

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

Options

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

Analysis

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

Corporate Priorities

6. The Council's Corporate Strategy 2006-2009 has several relevant priorities, including:

Values: Encouraging improvement in everything the Council does

Direction statements: Services to be provided by whoever can best meet the needs of the Council's customers

Priorities for improvement: Improve the economic prosperity of the people of York with a focus on minimising income differentials. Increase people's skill's and knowledge to improve future employment prospects

The “Thriving City” theme of the Community Plan has the following strategic objective:

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

Implications

7. As this is a general report on the progress of key issues there are no implications. Any significant implications to the economic programme will be brought to the Board through a separate issue-specific report.

Matters Arising

8. There are no matters arising.

Tourism

9. Plans are now well advanced for the creation of a Single Tourism Organisation in York by April 2008. This will be called Visit York. John Yeomans has been appointed as Chair and Gillian Cruddas as Chief Executive. The full Board is:

John Yeomans (Chair)

Directors:

Janet Barnes, York Museums Trust

David Brooks, Dean Court Hotel

Peter Brown, Fairfax House

Michael Hjort, Melton’s Restaurant

Hilary Layton, The University of York

Stephen Noblett, Ethnic Food Action Group Ltd

Keith Wood, Ascot House Hotel

Cllr Chris Hogg

Cllr Ken King

Cllr Ian Gillies

Gillian Cruddas, Chief Executive

10. The Memorandum and Articles of Association of Visit York have been agreed, and were endorsed by the membership of York Tourism Bureau last December. The principles of a Service Level Agreement between the Council and the new company were agreed by the Council in December. It is proposed to establish a rolling three year agreement, with the exact financial terms subject to approval in the Council’s budget programme. Up to four members of staff will be seconded into the new organisation. Three Members of the Council (Cllrs Hogg, King and Gillies) have been appointed on to the new company Board.
11. In return for this rolling three year agreement of financial and staffing support, a Service Level Agreement is proposed, which will complement the Company’s Memorandum and Articles of Association, set out the main activities which the Council will require Visit York to address, outline how the council will monitor the performance of the company through a set of indicators and confirm the Council’s contribution and the funding conditions.

- 12 The Council will require Visit York to address the following activities which are regarded as priorities for the strategic development of tourism in the City:
- Production of a Tourism Strategy and Action Plan for the City
 - Act on priorities that enhance York's tourism offer to attract higher added value in the tourism sector and to strengthen the City's function as a tourism gateway
 - Developing the quality of the York visitor product, either directly or through influence
 - Ensuring Visit York's financial viability
 - Consult with the tourism industry
 - Promote a sustainable, green tourism agenda for the City and tourism businesses
 - Encourage and facilitate transformational enhancements to York's visitor economy, subject to the business plan for Visit York and the availability of resources
 - Complement the work of [York@Large](#), particularly re: major events in the City that will attract visitors
 - Take account of the interests of residents in the development of tourism
 - Provide tourism advice to the Council and other stakeholders on issues such as business skills and training needs
 - Deliver visitor information services and destination management systems
 - Lobbying and ambassadorial role
- 13 The company will be required to produce monitoring reports against these performance indicators, and also on other project work it undertakes, and the Council will carry out an annual review of the organisation, by 31 January each year. The results of this annual review will be used to inform the Council's decision on the continuation of the agreement into the second and third years of the agreement.
14. In the meantime the current partnership continues to develop new and improved activities, with additional support from Yorkshire Forward, which from 2006-07 has pledged £666,700 of support to the Partnership for a combination of organisational and structural change, and enhanced investment in marketing, market research and product development activity. This investment (of which £155K has been available in 2007-08) has supported such activity as:
- Some of the legal and other costs incurred so far in establishing the new tourism company.
 - Activity on Illuminating York

- Market Research
- Enhanced marketing activity. This has included more conference marketing activity, including an enhanced presence at UK and European business shows, and a new PR campaign which is showcasing Cultural York

Yorkshire Forward has recently supported a further £100K of activity by York Tourism Bureau to promote the European Tourism City of the Year award through a combination of European PR, website development (including translation), a City Break campaign, a poster campaign at railway stations and the commissioning of a DVD.

- 15 Work is progressing on the relocation of the city centre Visitor Information Centre to the council-owned building on the corner of Blake Street and Museum Street. The building is capable of conversion into a ground floor VIC facility, including accommodation booking, event ticketing service, call centre and managers' office, a retail unit and display area to showcase regional produce with space on the first floor for offices for Visit York.
- 16 Illuminating York. The Illuminating York festival combines the city's economic and cultural objectives. It showcases York as a creative city and assists with the shared aspiration to promote the ancient city's thriving contemporary culture. This year the highlight of the festival was the Evoke installation which used noises and sounds generated by the audience to project images and colours onto the Minster facade. Around 14,000 visitors enjoyed the events from the 26 Oct to 3 Nov and the economic impact of the festival was calculated to be £822,000.
- 17 Residents First. The Residents First Weekend was once again a popular event with around 16,000 of York's residents taking the opportunity to experience the city's attractions, tours and museums for free. There were a number of new attractions which took part in the weekend, including DIG Hungate, Eden Camp and the Central Methodist Church. The weekend was supported by First York who were promoting the York aircoach service and Minster FM who provided the on street entertainment over the weekend.
- 18 Yuletide York. The Yuletide York campaign aims to attract visitors (regional and national) to come to York over the 6 week Christmas period to shop, visit Christmas events and stay in the city over a number of nights. The brochure promotes the unique shopping opportunities that York offers along with its special Festive leisure offers. The campaign benefits from being injected with new events and additional attractions to bring people into the city. 80,000 copies of the Yuletide York guide were produced and highlights of the programme included St Nicholas Fayre (29 Nov to 2 Dec), the Festival of Angels (8 to 9 Dec) and the German Christkindlemarkt (6 to 22 Dec). The guide was well received by visitors, residents and advertisers.
- 19 York City Walls Rubbings Trail. The Council has been awarded a Heritage Lottery Fund grant of around £15,000 to develop a trail of nine rubbing panels around the City Walls, the panels will be aimed at children and will provide much needed interpretative facilities for this age group. Each panel will outline a section of the walls, highlighting places of interest and users will be encouraged to collect each of the nine rubbings to make a complete map. The grant will be used to fund the production and installation of the plaques and the first print run of the activity pack.

20 Recent and current investment in visitor related projects include:

The £9mn, 44 bed Hotel du Vin opened on The Mount in November
£4mn refurbishment of all 200 bedrooms in the Park Inn, North Street
£2mn refurbishment of Ibis York, The Mount, has been completed
£4mn Search Engine opens at the National Railway Museum - a Library, Archive and exhibitions project that opens up access to thousands of previously hidden materials – photographs, artworks, sound recordings, posters, drawings etc

21 Latest tourism trends.

Hotel occupancy trends for York in the 2007 calendar year have been very encouraging, with bed and room occupancy up by 4 – 4.5% over the 2006 figures. These were the best figures since 2004 and among the highest since the mid-late 1990s. Individual monthly figures need to be treated with caution because of sample size variations.

Yorkshire Forward - updating the Corporate Plan

22 Yorkshire Forward are in the process of refreshing their Corporate Plan to cover the years 2008- 2011. Initially their main focus remains with the continued delivery of the approved Regional Economic Strategy (RES), however, in responding to the government's Sub-National Review, Yorkshire Forward acknowledges the need to work more closely with local authorities in parallel with developing a more robust relationship with government itself. These are considered to be essential pre-requisites in the building of a new regional landscape which will see the creation of a new, Yorkshire Forward led, Integrated Regional Strategy (IRS) which will incorporate the Regional Spatial Strategy that was previously the responsibility of the Regional Assembly.

The corporate objectives will be to :-

- Champion RES delivery (and the IRS in the future)
- Help people access good jobs, skills and transport
- Help businesses start-up, grow and compete through innovation.
- Regenerate cities, towns and rural communities
- Improve Yorkshire Forward's capacity

To achieve these objectives eleven new policy products are being introduced which are to channel future investment activity and funding bids. These policy areas are:-

- Competitiveness
- Enterprise/access to finance
- International business
- Skills
- Urban renaissance
- Rural renaissance
- Economic inclusion
- Low carbon economy
- Transport
- Major events/tourism/culture
- Property

Yorkshire Forward's approach to investment planning is also in the process of change. From April 2009 investment will be within the context provided by city-regions with transitional arrangements for this being made from this March. Discussions are on-going as to how best to achieve the most satisfactory permanent arrangement which can maximise the economic potential of York.

In the future, agreed economic strategies will provide the context for investment in geographic programmes. Discussions will need to take place as to how these programmes are devised and, crucially, the extent of each local authority's responsibility for delivery.

At this scene-setting stage, the city council is already involved in individual meetings and is signaling its desire for greater involvement. In its formal response to the consultation this desire is emphasised. It is considered that there is considerable merit in the city council developing a direct funding relationship with Yorkshire Forward, whilst working within the framework of a City Region Investment Plan. One major omission in the consultation process had been the lack of any reference to York as one of the government's six National Science Cities and the expectations/potential this status brings. The response points this out within the context of Yorkshire Forward's intention to designate new key sectors for investment. Concern is also expressed over the lack of reference to the Regional Innovation Strategy which Science City York could play a leading role in delivery over the coming years.

Rail-Related Issues

- 23 National Express East Coast - the company has now formally confirmed that it will be taking new premises in the city to relocate its York headquarters. From June the premises at Albion Wharf in Skeldergate are to provide its new base after an interior re-fit. It is to house the sales and marketing, commercial, finance, operations, engineering, procurement, information technology, compliance, safety and communications teams.

Grand Central - the company was intending to introduce a full timetable of 3 return daily services from Sunderland to Kings Cross (all calling at York) during January. However, delays in the commissioning of the necessary stock has prevented this. At the time of writing a partial service involving one return working from Sunderland to Kings Cross was operational alongside a York - Kings Cross return service.

Science City York

24. When the last report was prepared for September 2007 we expected to be more advanced in the refocusing of Science City York as a new company, with a new CEO in place and the new company well established with its main shareholders, the City of York and the University of York. However, on the departure of the recently appointed CEO in September it was agreed by the Board that the Chair, Richard Gregory, would take on a more active executive role for an extended period and for more days of his time. This has proved to be a very effective solution for relationship building with the key partners, members, stakeholders and the SCY team. We expect to build on this relationship building with an event scheduled in April 2008 in York to open up our strategy for review with a wide group drawn from our partners and later in the year in November to celebrate 10 years of Science City York.

- 25 Since the last report in September Science City York (SCY) activity has remained focussed on the development of both its strategic and operational priorities in line with the Sub Regional Investment Plan (SRIP) from which SCY has received significant funding support from Yorkshire Forward. SCY was funded to create an operational team structure which was fully in place from October 2006. The objective over the following period was to optimise the delivery potential of SCY and to meet targets, outputs and outcomes agreed with Yorkshire Forward and other key partners.
- 26 MTL Consultants were commissioned through the Yorkshire Forward contract to appraise the first two years of SCY activity from October 2007 and reported on an interim basis in January with the report and review in September 2008. The results of this extensive study indicated that with some refinements to aspects of our delivery and reporting, the consultants were content with the progress we had with the new operational arrangements and the contract management process with the Yorkshire Forward Team. The review has fed into our strategy development process. It important to note that Science City York remains a key delivery vehicle for Yorkshire Forward for science, technology and innovation-based new business creation and business growth and has the possibility to extend its reach beyond its present boundaries and activities.
- 27 Over the period the Cluster team members concentrated on developing the relationships with their cluster groups managing business interaction, identifying the needs of businesses and organisations that constitute the grouping and managing business to business focussed events. Whilst this has worked reasonably well, during the recent review of activity by consultants time has been spent on reflecting how this can be made more effective by changing management arrangements within SCY.
- 28 The existing Business Promoter team is now up to full strength following the appointment of the Creative Business Promoter. The team has focussed on delivering outputs in terms of business creation and funding support to new businesses through the Proof of Concept Fund (designed to assist test marketing ideas for products, services and new processes), the Technology Growth Fund which takes business ideas on to the next stage of development and the creation of a new York Professionals Voucher scheme (in partnership with York Professionals) which gives new businesses access to a wide range of professional time. The pipeline of projects is in line with expectations and the expansion into North Yorkshire has been successful in identifying new leads and partners to develop with. Further development, limited to specific areas, is required to ensure focus and limit dilution of service levels.
- 29 Science City brought publicity and promotional literature design in-house during the restructure and this tied to events management is beginning to show results and cost savings. We need to concentrate on making the website a really effective introduction to the SCY organisation and its wide range of partners. This is to be funded under an application in progress for ERDF funding with Yorkshire Forward.

SCY Organisational Structure going forward

- 30 Following extensive debate between the key stakeholders of Science City York, the University of York and City of York Council, a Stakeholder Board was established in

mid-2006. This included representatives of the two main stakeholders, an independent Chair Richard Gregory and key partners Yorkshire Forward. The formation of this Board recognised SCY's increasingly important regional as well as national role. In March 2007 a new vehicle was created, a Company Limited by Guarantee (CLG) to formalise the partnership. The development of the new company has gathered pace under the chairmanship of Richard Gregory with discussions formalising the new structure, funding and location in the process of finalisation. In October David Dickson, senior partner at Garbutt and Elliott was asked to chair a new Advisory Group to the Board and recruitment to this is in progress.

Northern Way Bid

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

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

The project was approved in March by YF and each 'spoke' received funding (time-limited) to develop their individual projects. Park Central and the BBC have been completed on time and are delivering the added value expected from the projects. Planning delays put the Terry's Digital and Creative Technologies scheme out of time for funding. An alternative project was developed with the University – a proposal to create a Centre of Excellence in Mass Spectrometry - and funds were rerouted to this. Whilst the timing is tight we are confident that this will be finalised on time and the funds used for a very substantive application.

The Northern Way team are reviewing their approach to developing a strategy for promoting innovation across the three regions and Richard Gregory is playing a key role in the management group involved with this.

ERDF Funding Programme

32 Science City is leading on a substantive bid with the University of York (Heslington East new development) and Central Science Laboratories (exploring opportunities to develop the site for innovation led business development) and extending the activities of Science City York to create a range of new business services for clients. This whole ERDF programme is being fast tracked within Yorkshire Forward and we should be aware of our elements' success and progress to the next stage of development, and approval by the project approval board in Yorkshire Forward, during the next two months.

York Science Festival 2008

- 33 Plans are well advanced for the 2008 Festival taking place in York and North Yorkshire during early to mid March. This is the eleventh festival and is expected to attract more than 15,000 visitors to more than fifty popular science events held in a number of venues and timings across the City. This builds on previous York Science Festivals and the BA Festival in 2007, which was held in York in September attracting national and international interest. Adam Hart-Davis as Festival Patron and other celebrities will play an important role in involving the people of York in understanding more how science, technology and innovation can change our lives and create career opportunities. This is a prime example of the public engagement and community involvement in understanding science and technology, which has been a major role for SCY over the past ten years and will continue to be so.

National Science Cities Development Group

34. York has been lead member of this group since its inception 3 years ago. A fourth Science City conference was held in Birmingham to coincide with the Lord Stafford awards held in mid November and a number of SCY staff, the Chair and representatives from the City of York attended over the two day event.

There was strong representation from the 6 Science Cities and more focus on what can be achieved between business, universities and cities in promoting innovative economic development. Attendees took part in a group of focus sessions to work on strategic issues important to mutual working. These were especially important to the key and newly constituted government departments' own planning. It is important that Science Cities interact with these departments as plans formalise into actions which will require a delivery mechanism and the Science Cities are well placed to take these forward.

There is much still to do in joining up the work of the individual cities into a unified approach mainly because each has a different model and speed of development. The recent conference did much to speed this process up by identifying some mutual interests. An area of activity that may well emerge as workable is in promoting the six Science Cities internationally, together with UKTI, as an investment and trade opportunity utilising a joint cluster approach. York is leading on this programme as well as the enterprise agenda related to innovation.

Skills Development

- 35 SCY remain a partner with NYBEP however we have recently appointed a skill coordinator to work closely with the cluster teams and partners to ensure that programmes are in place with delivery organisations. By working closely with SCY business clients and colleagues across the SCY we should be able to provide suitable training for local people to meet the job specification requirements of new , existing and potential businesses in the subregion.

York Training Centre

- 36 York Training Centre (YTC) has been working closely with HR to promote an Apprenticeship programme in City Strategy. Six Apprentices will be recruited to start in September 2008 on a two year programme leading to an NVQ in Business

Administration. The young people will spend four blocks of six months moving around departments in City Strategy. Initially these will be funded by the directorate but it is envisaged that vacancies will occur during and at the end of their training in the departments or within the Council. The programme will be promoted in local schools shortly.

Possibilities of rolling this out to other Directorates are being considered. NYCC have a substantial Apprenticeship programme which is proving highly successful in appointing younger staff and all lower grade vacancies are deemed to be Apprenticeship vacancies unless departments can prove otherwise.

YTC is meeting regularly with School Heads and other partners to develop provision for 14 – 19 year olds in the City. Common timetabling, schools working in clusters and sharing provision and the introduction of Specialist Diplomas are current discussion topics. YTC is involved in delivering work-based learning to both pre- and post-16 learners so these links with schools are essential.

The 14 – 19 Manager at York Training Centre, Phillip Metcalfe, has been appointed as Head of the Danesgate Skills Centre, part of the Pupil Support Unit in LCCS. Discussions are taking place with him in his new post to work in partnership with York Training Centre to offer a joint programme of vocationally related activities to meet the NEET (Not in Employment, Education or Training) targets for the City.

The Learning and Skills Council have confirmed that York Training Centre was the highest performing provider in the area during 2006/7 for Apprenticeship training with an overall success rate of 85%. The results were the best ever for YTC and in some areas, 100% achievement was recorded.

City Centre Partnership Ltd

- 37 The first footfall-counting camera was installed in Coney Street in November. This provides 24-hour a day, seven days a week information and will be particularly useful in establishing a year-on-year picture of pedestrian activity. The Partnership also now has access to national footfall trends through information supplied by the Association of Town Centre Management.

YCCP put £10,000 into the Christmas lights for 2007, and also ran the City's first-ever Christmas Window Dressing Competition. This attracted 68 entries, votes from 3,400 residents as well as a panel of judges, with retailers contributing prizes with a value of £2,500 to encourage voting. An award ceremony for 60 people was held at the Mansion House hosted by the Lord Mayor and Sheriff. The Retailers' Forum was very enthusiastic about the competition and keen to make it an annual event as part of the Christmas promotional campaign.

Work has continued on the current Action Plan, particularly with Retailers Against Crime in York (RACY), who are currently exploring the possibility of extending activities into the evening economy, York in Bloom and the entry into the 2008 regional competition, together with strategic input into the City Centre Area Action Plan, Local Development Framework and the 2008 events activity in and around Parliament Street.

Following extensive research and consultation with businesses in the City Centre,

the Partnership has now formally decided not to proceed with a vote for a Business Improvement District (BID). This is because of the low level of general interest among the business community, the difficulty of finding a "headline" project to engage them, the lack of a long-standing "track record" for the Partnership and finally the possibility of the introduction of the Supplementary Business Rate in 2010/11. The Partnership concluded that any vote in June of this year would be a negative one, and that would damage the image of and confidence in the City Centre. The Partnership is now in discussion with stakeholders to reprofile the organisation for post-September 2008, when its current contractual arrangements cease.

Future Prospects

38. The team has successfully completed LSC/ESF projects working with adults with mental health issues and supporting young adults into work. These projects have been recognised as leading examples in innovative IAG and skills development practices. The 'supporting young people' project successfully embedded entrepreneurship, with the 'Enterprise Academy' being considered for wider regional rollout.

In recognition of the high level of redundancies within the region, Future Prospects has successfully delivered a Skills Fund project, which has allowed 250 people facing redundancy to receive specialist advice and support and over 100 people to gain accredited training to support the transition to new employment in a changing labour market. In addition, over 100 people participated in short courses to develop core skills for employment and improve application techniques. Over 60 people within this project have been successfully tracked into new employment.

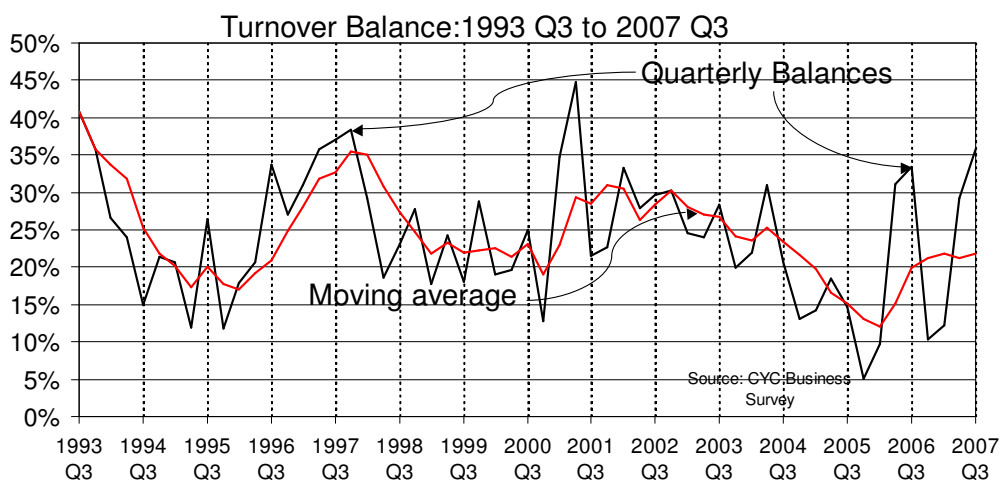
Unemployment and Quarterly Business Survey: Results

39. The two unemployment performance indicators 15a and 15b which compare the rate of unemployment in York with regional and national rates are just above target on an annual basis, although the local rate has fallen below target with respect to the region for December 2007 by a very narrow margin. However, claimant count unemployment is 300 people lower than it was at the corresponding month a year earlier. Detailed information on the claimant count, the ILO/OECD unemployment measure and rates may be found in **Annex 1**.
40. There are three performance indicators which focus on the overall Quarterly Business Survey and one on the Retail Sector in the city; all of these are currently performing above the required level and indeed have done so over the past four quarters. Once again detailed results may be seen in **Annex 2 - 5** for each performance indicator which relate to business conditions measured through the York Business Survey.
41. The business survey covers York's economy as a whole and is so designed as to provide representative results. The latest survey for which results are available was undertaken in October last year and covers the third quarter; July, August and September. Eighty-four local companies took part in the survey responding to questions on turnover, employment, customer levels and so on. Overall results were positive with increases in turnover, employment and investment levels although confidence levels in future sales and employment appears to be levelling

out. Overall satisfaction with York remains high however – hopefully this can be maintained over what may prove to be a challenging year for business.

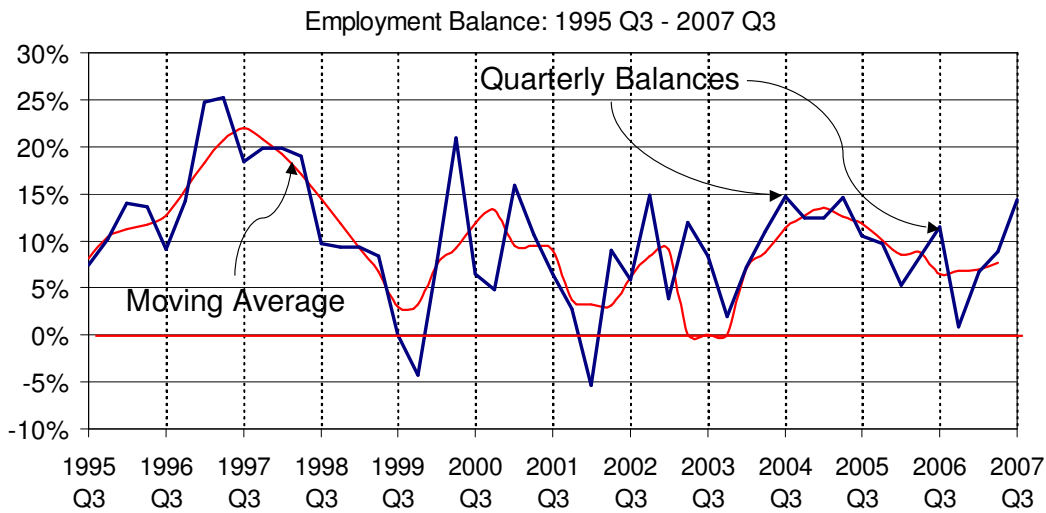
42. The financial world has suffered a difficult few months with a turbulent stock market both on Wall Street and in London, a stalling or falling housing market and inflationary pressures on food, oil and related forms of energy. The central banks in the US and UK have moved interest rates downwards in an attempt to reduce risks to growth - but there is a general view that world economies face a period of rebalancing during 2008 and growth forecasts have been revised downwards as a consequence. The current consensus seems to be however that while growth will slow in both the US and UK, neither economy will go into recession – defined as two consecutive quarters of real decline in output.
43. In terms of **turnover**, net balance results (i.e. the proportion of respondents who said that their turnover had risen over those who reported a fall), stood at +35.7, up 6.5 points on the previous quarter and 2.3 points ahead of the corresponding period a year ago. The graphic below, **Figure 1**, charts the turnover balance since 1993Q3 together with a moving average which reduces some of the seasonal factors present in the raw data. This long run average over fourteen years is continuing to exhibit improvement after a decline through 2002-2006. The recent slowing of national growth, rise in energy and raw material costs worldwide coupled with a firm monetary policy aimed at reducing inflation all suggest that while turnover levels may continue to improve, growth may be more modest in the shorter term than, for example, 1996/7.

Figure 1



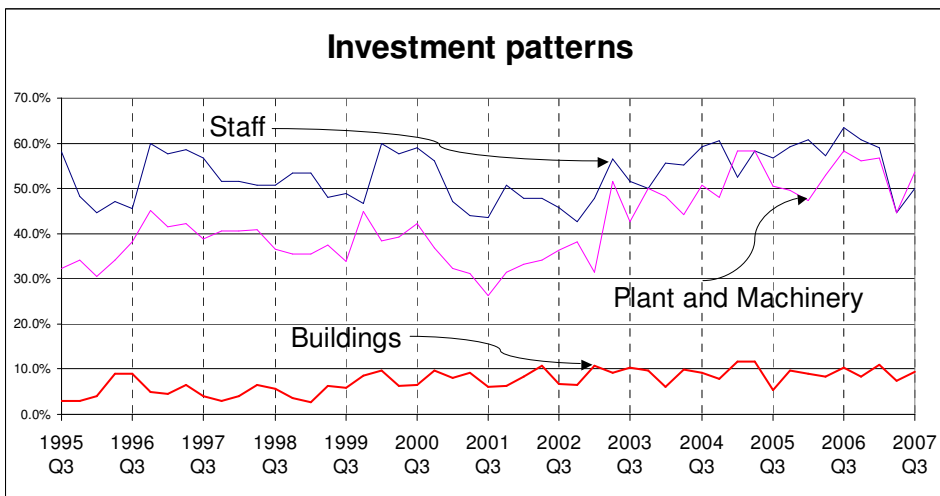
44. **Employment** levels remained firm in the third quarter of last year – with the proportion of firms reporting that their staffing levels were growing 14.3 points higher than those who reported their staffing levels were falling. This was an improvement over the second quarter of over 5 points and nearly 3 points higher than a year previous. Of course for many firms staffing levels have remained stable over the quarter and 69% of firms surveyed were in this position in the third quarter, just ahead of the same period in 2006. The graphic, **Figure 2**, shows the net balance of this indicator together with a moving average line which reduces seasonality in the data.

Figure 2



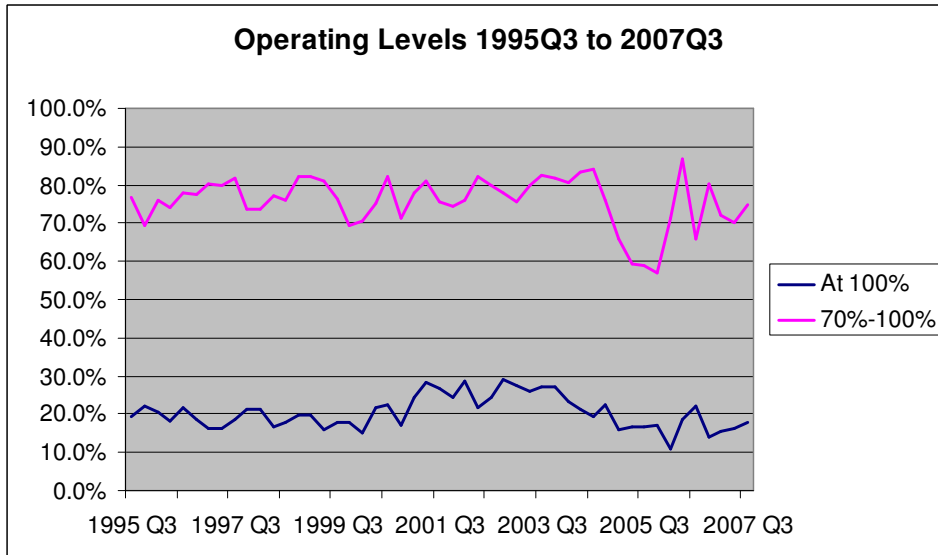
45. In terms of **investment**, the question is posed to local businesses under three categories; buildings, plant and staff. While investment across the three categories rises and falls it does not do so equally across all types – buildings has remained at a fairly constant level over the last few years, while investment in plant and machinery as well as staff training shows a recovery from the previous quarter – with the proportion of firms investing in these returning to more than half. Those investing are shown in **Figure 3** below:

Figure 3



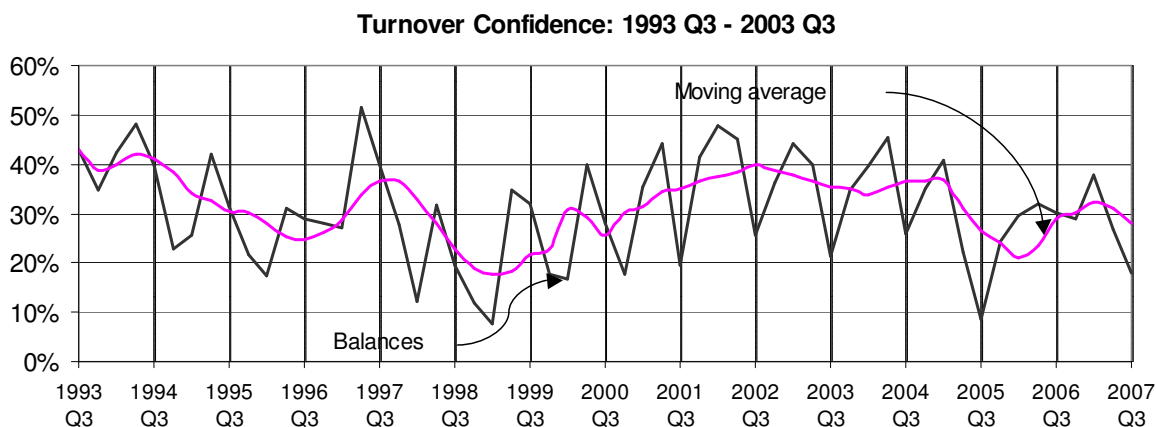
46. In terms of **operating capacity**, firms are asked whether they are operating at what they consider to be full capacity or at some level, in 10% bands, below that. The groups graphed in **Figure 4** show the proportion of firms operating at full capacity – typically around 20% and also a group operating between 70% and 100% - judged to be within a satisfactory range for managers. Both groups exhibit improvement over recent periods, with a low point clearly visible in late 2005.

Figure 4



47. **Confidence** in future trading activity is measured in two ways – firstly confidence in future turnover or sales levels and secondly by employment or staffing levels – whether the expected level of activity is prompting employers to grow, reduce or maintain their staffing numbers at existing levels. Firstly, **Figure 5** shows confidence in turnover levels for the quarter ahead – over a fourteen year period from 1993 to 2007. There is a marked pattern of sales expectations rising and falling over the year and for this reason the moving average line provides the more useful guide to activity. This improved through 2005/6, peaked in the third quarter of 2006 and has now begun to take a downward path. Working on previous experience, expectations will rise through late 2007 and into 2008 – although given some of the shocks impacting on the national economy in recent months, confidence may remain muted through 2008. **Figure 5** below charts confidence in future sales or turnover over the past fourteen years – from 1993 to date.

Figure 5

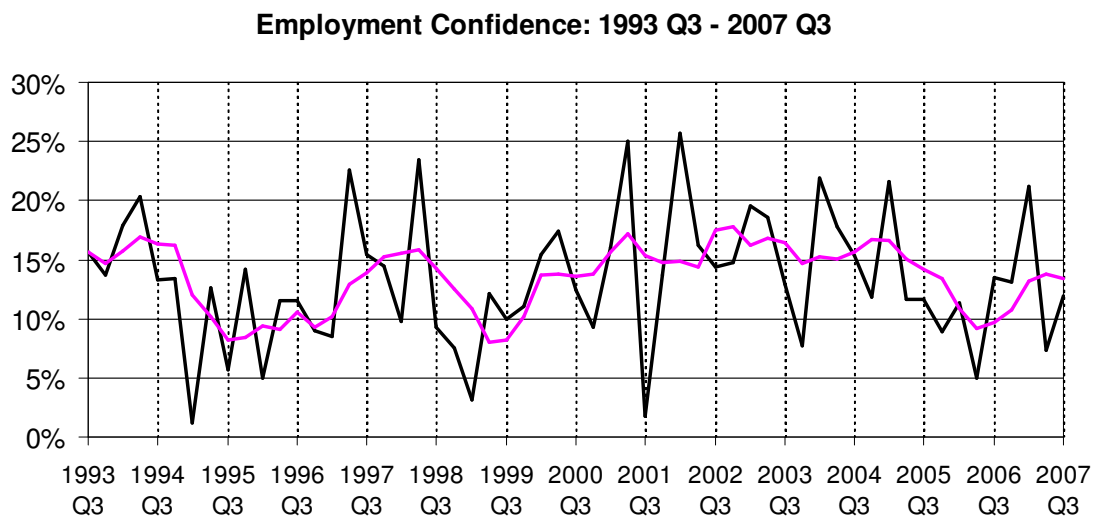


48. **Confidence** is measured in a second way in the Business Survey – by examining the expected staffing levels expressed by business owners and managers. This is another indication that they expect activity in the business to increase, lessen or remain the same – **Figure 6** charts the net balance of firms where managers are expressing an expectation of altering the level of staff in the business. As might be

expected, this tends to lag behind activity as there is usually some spare capacity within firms to respond to upward changing levels of demand and where activity is reducing, firms are often reluctant to lose valued staff who have been trained in the business perhaps over a number of years.

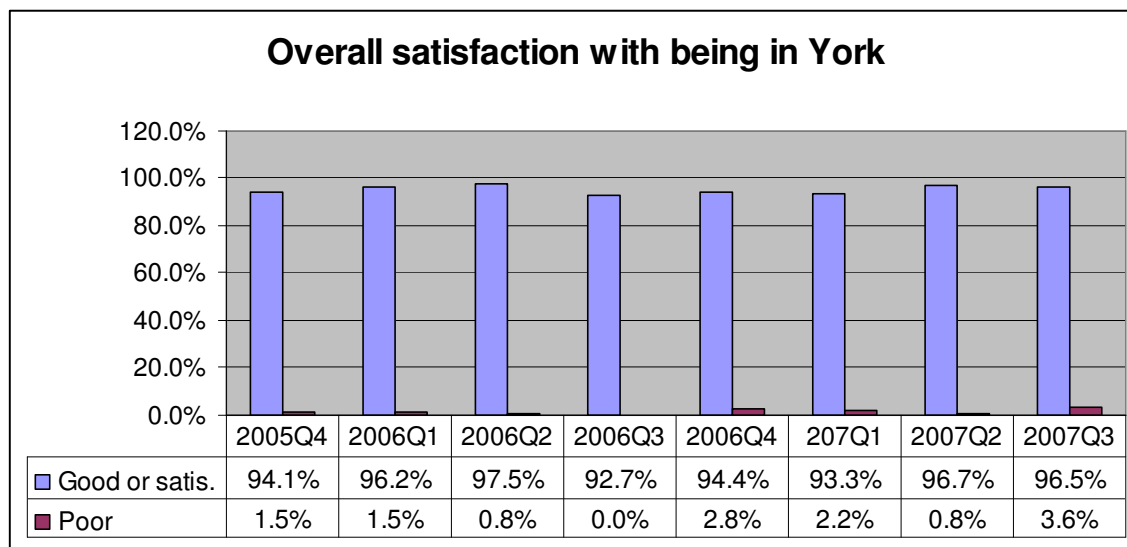
49. Once again **Figure 6** (the chart below) shows the balance of ups and downs in expected staffing levels, complete with a moving average trend line which reduces some of the strong seasonal element present in the data. The trend line shows marked improvement through 2006/7 – this appears to be levelling off towards the end of last year. Whether the proportion of firms taking on staff continues to grow will depend crucially on the expected level of consumption in the local economy and should consumer demand reduce in the face of falling house prices and higher household costs such as food, oil and gas whether investment by industry can fill some of the gap.

Figure 6



50. One question in the Business Survey was prompted by a recommendation by the Audit Commission - seeking to provide a measure of **overall satisfaction** for a business located in a particular city. Question 14 asks managers whether they believe York to be a good, satisfactory or poor location for their business. In the two years that this question has been asked, the proportion of businesses responding, 'good' has always been more than half those surveyed, and the proportion who feel York is satisfactory averages a little over 35%. Since it seems likely that a proportion of managers will move between these two categories, there is value in summing them – and the results are shown in **Figure 7** with the output given below in a data table.

Figure 7



51. The survey covering the last quarter of 2007 from October to December, began in late January.

Risk Management

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

Recommendation

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

Reason: To help shape the effectiveness of future action.

Contact Details

Author:

Roger Ranson
 Assistant Director Economic
 Development & Partnerships
 Phone No: 01904 551614

Chief Officer Responsible for the report:

Bill Woolley
 Director of City Strategy

Report Approved



Date 26 Feb. 07

Specialist Implications Officers: None

Wards Affected:

All



For further information please contact the author of the report

Background Papers: Progress on Key Issues Report to Economic Development Partnership Board 25 September 2007

Annexes:

- Annex 1 – Performance Indicator – Unemployment in York VJ15a and VJ15b
- Annex 2 – Performance Indicator – Turnover (Sales) Balance – VJ15d
- Annex 3 – Performance Indicator – Expected Turnover Levels – VJ15c
- Annex 4 – Performance indicator – Employment Balance - VJ15e
- Annex 5 – Performance Indicator – Improved business performance in the retail sector - C10
- Annex 6 – Hotel Occupancy Monthly Statistics