

York's Approach to Inward Investment

Summary

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

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

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

Recommendations

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

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

Introduction

7. Inward Investment is an important source of economic activity and employment for the UK. In 2019/2020 financial year, the UK attracted 1,852 new Foreign Direct Investment (FDI) projects, creating 56,117 new jobs, and safeguarding 9,021 jobs.¹
8. Of these 1,852 new FDI projects, the Yorkshire and the Humber region attracted 104 projects, creating 2,264 jobs and safeguarding 351 jobs. York has attracted two FDI projects over the same period, creating 18 jobs.
9. Data from the Department for International Trade (DIT) on new projects and jobs from FDI into the UK shows that London continues to outperform the rest of regions across the UK, accounting for 34% of all FDI in 2019-20. This represents a long-term trend with regards to foreign direct investment. Indeed, the share of FDI going to the capital cities in England, Scotland and Wales and the members of the Core Cities group, excluding Belfast, increased from 31% of the total in 1997 to 67% in 2019.² During this period, every place type identified by the Centre for Towns except for the abovementioned cities has seen its share of FDI fall. This demonstrates that the government has significant work to do if it is to achieve its levelling up agenda, and ensure that all regions of the UK are to reap the benefits of inward investment.
10. Of course, FDI only represents one side of inward investment; the other is UK-owned businesses either relocating or expanding domestically. This activity is not supported by DIT, with local authorities and local enterprise partnerships (LEPs) leading on this across England.
11. In York, inward investment is predominantly led by Make it York, the Council's arms-length organisation established in 2015 to lead on business engagement, business support and inward investment, and the marketing and promotion of the city's visitor economy. Despite this specific focus, the reality is that in recent years there has been little strategic emphasis on inward investment in the city. It is testament to York's economic assets and strong place offer, coupled with the great work of partners such as the University of York, the National Agri-Food Campus (now called York Bio-tech Campus) amongst others, that the city has continued to attract interest from businesses looking to invest in, and locate to York.

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

² [2020 EY UK Attractiveness Survey](#)

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

Our Proposed Approach

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

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

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

³ [2020 EY UK Attractiveness Survey](#)

⁴ [2020 EY UK Attractiveness Survey](#)

⁵ [2020 EY UK Attractiveness Survey](#)

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

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

A York Inward Investment Prospectus

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

⁶ [2019 EY UK Attractiveness Survey](#)

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

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

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

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

⁷ [Uswitch Remote Working Index](#)

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

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

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

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

Trade Support

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

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

Partnership Working and Resources

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

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

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

Consultation

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

Council Plan

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

Implications

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

Risk Management

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

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Approved

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the author of the report

List of Abbreviations Used in this Report

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