

# Report on Economic Development from the Cabinet Member

## Economic & City Development Overview & Scrutiny Committee

March 2015

### 1. Overview

The purpose of this paper is to provide an update on the Council's progress on economic development since the last update in 2015, as well as my priorities moving forward.

### 2. York's economy

#### Performance

The available data on recent economic performance has been strong in recent years.

- We have seen success in skills in the city – we are in the top 10 cities for skills/qualifications according to the Centre for Cities Outlook Report.
- We have also seen a continued fall in unemployment. This includes the city having the 3rd lowest youth Job Seekers' Allowance (JSA) in the UK out of 64 cities.
- We have seen a recent increase in Gross Value Added (GVA) per head from 23,084 in 2012 to 23,483 in 2013.
- Improvement in business survival rates. In 2012 the number of business births was 720 and in 2013 this rose to 945. In 2012 the number of business deaths was 635 and in 2013 this decreased to 600.

However, the data also indicates some challenging issues, particularly around wage levels, which is where I want to start.

#### Challenges

York's key challenge is to address wages in low-pay sectors while supporting high value jobs.

While York is in an enviable position of effective full employment, a key issue is the fact that median gross weekly wage rates for full time employees have fallen. Given that annual wages for groups who are lowest paid, such as part-time employees and women, have risen over this last year, the overall picture is less severe, with gross annual wage for residents changing from £20,725 to £20,648 (-0.4%). This data is from the Annual Survey of Hours and Earnings produced by the Office of National Statistics (ONS). Council officers have been in touch with the ONS to understand this issue further.

The ONS have advised officers that local level conclusions from one year numbers from the Annual Survey of Hours and Earnings have wide confidence intervals and so should be treated “with care”.

It is important to be aware when examining these numbers that York’s employment rate has increased in recent years – while many of those in new jobs in our economy are at the lower wage level, a trend reflected nationally, this is clearly better than being unemployed.

Regardless, the trends around wage stagnation, particularly for full-time male full-time employees are clearly concerning, and we know that this is an ongoing challenge given the nature of city’s industrial bias towards lower paid retail and tourism sectors. Given the importance of wage levels to York’s population, it is imperative that as a city, working across sectors, we focus steadfastly on addressing this issue.

### **3. Key initiatives in the last year**

Activity over the last year has indeed focused on issues around creating high value jobs and tackling low pay. As with any economic interventions, structural change will not be instant, but significant progress has been made in key areas.

#### **Tackling low wages**

This administration has attempted to begin to address this issue by introducing the living wage for all Council and Work with York staff, as well as building this into our procurement process. The effectiveness of this policy will be evaluated independently by the University of York and this is expected to report in the Summer.

We have also promoted the adoption of the Living Wage, working closely with the private sector, and I am pleased to report that several other employers in the city have made this commitment. This includes several of the top 10 largest employers in the city – such as Nestle, Aviva, York Hospital Trust and York St John University – as well as the Golden Ball, the first living wage pub outside of London, and a winner of the Living Wage Champion for Yorkshire & Humber 2014.

Last November, we worked with partners in the city to promote Living Wage week, featuring an event at Aviva attended by individuals from medium and large businesses, and an event for smaller businesses at the Golden Ball the same week.

In addition to this, we are working to encourage city employers to pay apprentices and apprenticeship living wage, with evidence demonstrating that the quality of applicant and retention of employee rises significantly if the employer adopts the enhanced apprenticeship wage as paid by CYC.

Recently, Labour-run Brent Council announced they would be introducing business rate discounts for living wage employers after coming to an agreement with the GLA and central Government. This is an interesting idea that I have asked officers to consider.

## **Unlocking high value growth**

A major way in which we can support the growth of York's economy and increase wages in the long run is by ensuring there is adequate space for high quality employers to be located. Over the last year, there has been significant progress on a number of key investments to support economic development in the city.

We have worked hard with both of our Local Enterprise Partnerships (York, North Yorkshire and East Riding LEP and Leeds City Region LEP) and have ensured that York is placed as a key growth hub in the strategic economic plans for both LEPs and that significant resources are being invested in the city. As part of this key developments have received over £20m in the last year, including £1.7m for York Central plus £27m set to be invested through the West Yorkshire Transport Fund, £3m for BioHub at Heslington East for additional space for bioscience businesses as part of the BioVale initiative, and £8.3m for developing the National Agri-Food Innovation Campus at Sand Hutton, on York's boundary, which provides further space for major agri-tech businesses.

On York Central, building on strong foundations this year, we have also signed a Memorandum of Understanding with Network Rail, completed a major feasibility study to build on the strong work and investment by this administration to get the city's flagship site fully developed and unlock vast amounts of much needed grade A office accommodation, and are continuing negotiations with key partners, including potential anchor tenants. The investment into addressing the site's access needs has been crucial in demonstrating the Council's commitment and leveraging in additional funding. This is on top of the work that has been carried out in developing York Central as a housing site, with it being shortlisted in the first round of the Government's Housing Zone programme, which would give access to specialist planning, technical support and cheaper borrowing.

On Biovale, our administration has pioneered work on the innovation cluster with the University of York and Biorenewables Development Centre, seeing several companies such as Circa and Wilson Biochemicals locate in York on the back of this proposition already, and the innovation and research at the University being harnessed for local Small and Medium Sized Enterprises (SMEs) in a coordinated way.

In December we were awarded UNESCO City of Media Arts status, and officers are developing a programme to maximise the significant cultural and economic opportunities this affords. A key element of this is actively taking forward plans for the Guildhall, a project with considerable demand from our fast-growing creative and digital sector, which is high on the priority list for Leeds City Region Local Enterprise Partnership (LEP) for the latest round of Local Growth Deal funding.

Over the coming months, we will be considering how to raise York's international profile and maximise the inward investment opportunities of the UNESCO designation, Make It York, and events such as the Tour de Yorkshire. The Tour de France brought £8.3m into the city during the race weekend and has seen 44% of non-resident visitors since return. It also gave us a chance to improve industrial links with major industrial bio-tech and agri-tech businesses and investors from across Europe, including signing a memorandum of understanding between BioVale and the Northern France-based cluster, IAR. This has led to further collaborative activity with major bioscience clusters in Holland and Germany.

The Council's Economic Development team are consistently working to respond to inward investment and property enquiries in York, averaging around 55 per quarter. Over the last year, as a Council we have been directly involved with supporting 8 businesses to locate in the city, creating around 100 jobs in York, with many more non-involved investments happening in the city through the right business environment. This includes companies such as Parsons Brinckerhoff, Anaplan, CH2M HILL, Giffen Group and Wilson Biochemicals who all now have offices in the city and are bringing high value jobs in the key sectors of rail, IT and bioscience to York.

Finally, we are investing in infrastructure through Digital York initiatives – such as becoming the country's first Gigabit City and delivering to date almost £400k of Super-Connected City SME grants (funded by Department for Culture Media and Sport) – as well as developing a programme to improve digital inclusion in 15/16. With York leading the way in providing world class digital infrastructure, we have applied for the 2015 Digital City of the Year and are developing a Smart City strategy to ensure it is exploited for the benefit of businesses, visitors and residents.

## Supporting employment and skills and improving productivity

As highlighted above, on a range of measures, employment and skills performance is strong in York. Over the last year, we have introduced a number of initiatives aimed at improving the skills of residents to ensure that they can access and move through the local labour market, as well as to help increase productivity. This includes a broad range of successful targeted programmes:

- York Jobs Fairs and Apprenticeship Recruitment Events have been held twice a year to support an all age market and 16-24 year old audience respectively. These have been part-funded by the Leeds City Region and have been keenly supported by 40-50 high profile recruiting employers including Hiscox, Network Rail, NHS Hospitals, Portakabin, various hotels, Marks & Spencer, Hyder, Volkswagen as well as smaller businesses, and are increasingly catering for those looking at a career change and career progression as well as finding a new job. All events have been well attended – around 1500 at Jobs Fairs at the Railway Institute and 300 at Apprenticeship Events at West Offices.
- “Head Start“, an intervention targeted at 18-24s funded by the Leeds City Region for longer-term unemployed and Work Programme returners. 48 were referred by Job Centre Plus in the last year with complex needs and barriers to work; this has led to 19 young people moving into jobs to date, 5 of which have already sustained jobs for more than 6 months.
- “Support for You“, a European funded programme to support around 100 individuals and families with multiple barriers to work progress towards and into jobs.
- “Experience Works“, a project aimed at over 50s funded by the City of York Council Economic Infrastructure Fund. So far it has received 214 referrals from Job Centre Plus. Of these referrals, 173 enrolled on the 6 week rolling scheme. Outcomes to date are: 28.5% into employment, 15.4% into further training, 3.0 % self-employed.
- Apprenticeship recruitment and talent match scheme for SMEs in York, funded by Leeds City Region. York is one of only two districts exceeding targets for creating vacancies with SMEs new to apprenticeships, having worked with 100 SMEs in the last year creating 80 new Apprenticeship jobs for young people. The service for SMEs has targeted key growth sectors for the city, including business, financial and professional services, creative and digital, as well as healthcare and GP practices. This has resulted in a range of new, high quality apprenticeship jobs including York’s first two para-legal apprentices, insurance brokers and Advanced Technical Practitioners in GP Surgeries.

- Creative Employment Programme – we have successfully bid for a £90k Arts Council grant to offer wage grants and a recruitment service to create 40 new apprenticeship and intern jobs within the creative, arts and cultural sector. This service runs parallel to the apprenticeship service for SMEs delivered by the Skills Team as described above.
- Employment and Skills Plans are now embedded into CYC procurement tenders to secure locally targeted employment and training opportunities for residents and supply chain (following a Scrutiny Report and recommendations made in 2014). The biggest success so far has been using these Plans to work with the main contractor for the Community Stadium: ISG. Through them we will be coordinating a ‘Meet the Buyer’ event for local suppliers to win contracts to support the build and offer graduate internships and apprenticeships to local unemployed residents and young people seeking to start their career in the construction industry. We have recently submitted an application for the National Skills Academy for Construction Award for good practice in embedding Employment and Skills Plans within Local Authority planning and procurement, and will hear the outcome mid-March.
- SMEs are benefitting from European funding in the city via York College and various others to support free leadership and management training to drive productivity and skills shortages within the existing workforce.
- Development of our business support services on skills. This revamped offer will spell out and simplify for businesses exactly what the council can offer in the way of support for skills and recruitment. By offering the business support element of this it means we can work with businesses to not only identify possible recruits but offer support in the recruitment process as well.
- Small Business Saturday, where we worked with the business community to create a market place on the 6th December in the City Centre. This had a footfall of 16,000 compared with 1,601 last year. This also created a market place for the small businesses to better collaborate and enhance supply chain opportunities.
- Delivered Access to Finance/Business Support Seminars with multiple private sector companies.
- Working with the Manufacturing Advisory Service to develop a York & North Yorkshire Manufacturing Alliance. This will make it a lot easier to connect to other Manufacturing Alliances in the region to further capitalise on supply chain opportunities across the region. We anticipate the Alliance to go on to develop a full calendar of events relevant to the sector and peer to peer support forums.
- Worked with traders on Bishopthorpe Road & DCLG to develop a high street engagement toolkit to allow other areas to replicate their achievements.
- The York Business Conference, which was attended by 180 delegates. The conference was delivered with private sponsorship, introduced both LEPs to the York business community, and explored how local

businesses can get involved in the wider agenda of rebuilding the northern economy.

#### **4. Priorities**

Since coming into post in December, given the short amount of time until the next election, my priority has been the progression of a number of key strategic pieces of work, namely:

##### The new economic strategy

Officers have been working to generate a business-led evidence base for what the focus of the economic strategy should be following the election. The aim is to work with York's private sector to co-produce a strategy for the next 5 years. This process will begin on March 9th where a range of city businesses will be invited to help provide evidence and feedback on the areas where the city needs to work together to promote economic growth.

##### Make It York

This will enable an outward-focused, fleet of foot delivery organisation to drive forward the key economic priorities in practice, as well as attracting additional income to enable these agendas to be maximised. A Service Level Agreement is being developed and Make It York should formally start in April.

##### Business Improvement District

Led by City Team York, the establishment of a BID would allow city centre business to pool resources and deliver additional services and initiatives. This could unlock as much as £4m additional funding for the city centre over the next 5 years. An Economic Infrastructure Fund bid will be coming to Cabinet for a BID Manager that would take this complex process forward, and would be conditional on additional sources funding being explored and adequate information to evaluate the effectiveness of the BID being provided.

##### UNESCO City of Media Arts

As mentioned above, we are working with Make it York to establish a programme of events and activity to deliver the 15/16 Plan.

##### Tour de France and Tour de Yorkshire

Delivering the legacy from the Tour de France and maximising the economic benefit of the Tour de Yorkshire.

##### Parking strategy

Following initial exploratory work by JMP, we will be producing a revised parking strategy, of which one of the key pillars will be how this can support the city centre economy. The aim is to publish this in autumn 2015 and to tie this work into the Congestion Commission.

### Brownfield & Infrastructure Team

Establishing a new officer team to allow strategic project management across our key brownfield and infrastructure projects.