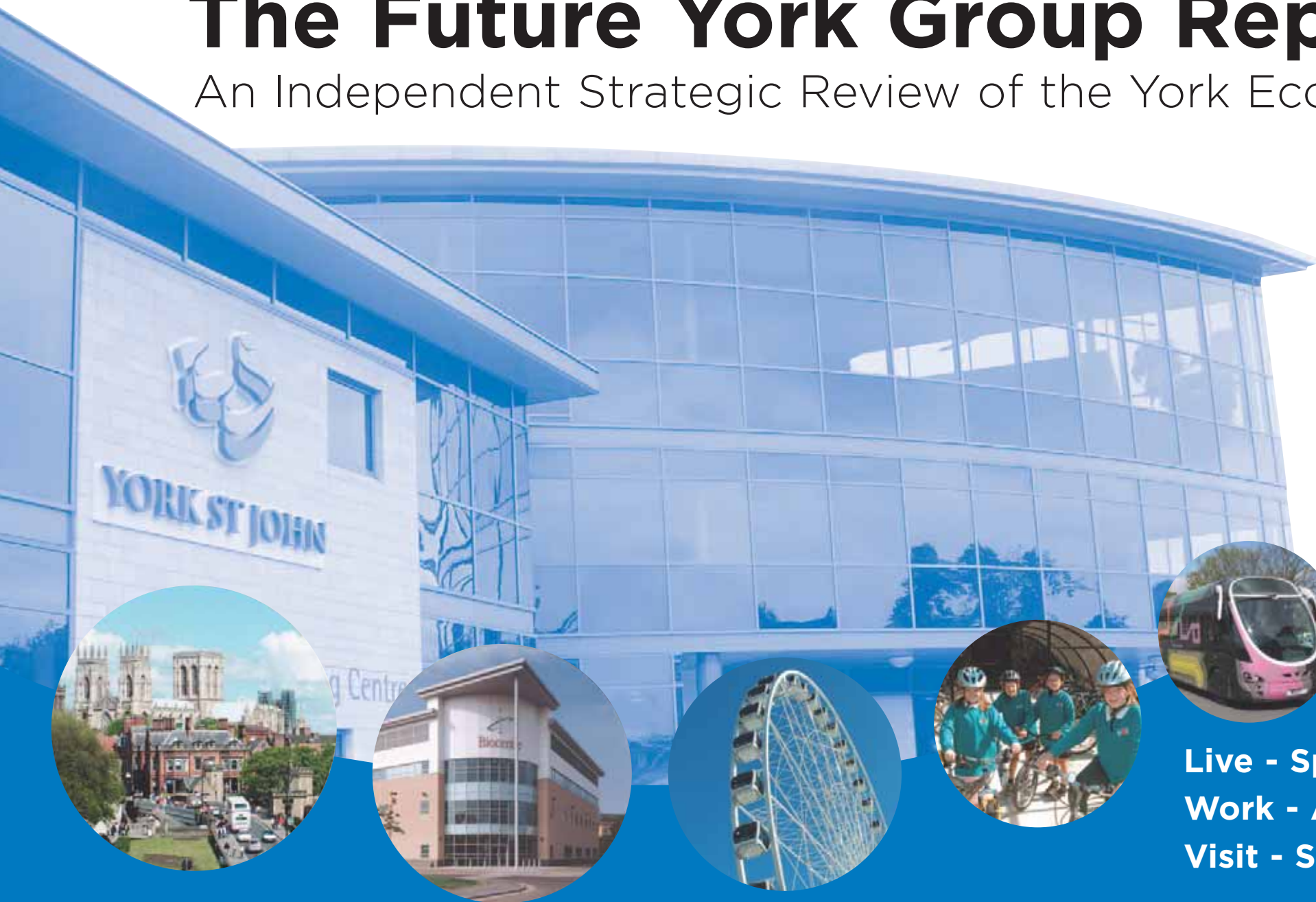


June 2007

The Future York Group Report

An Independent Strategic Review of the York Economy



**Live - Special
Work - Ambitious
Visit - Spectacular**

York has consistently adapted and changed over its long and successful history. The city is currently facing a number of challenges brought about both by economic competition from within the UK, and also from the effects of globalisation. We see these challenges through last summer's job reductions at Nestlé and Norwich Union and the complete local closure in the case of British Sugar. These are only the most recent of the changes that the city has experienced over the last twenty years.

alleviate the effects of growing economic competition, but also to increase the economic performance of the city. However, these aims will only be achieved if the desire and ambition for the city to do so are strong enough.

City of York Council set up the Future York Group to look at the city's economic development strategy. The Group has come up with recommendations as to how York might move forward and better prepare itself

for meeting current and future competition. York currently has a once in a generation opportunity to move forward due to the amount of brownfield development land that has become available. Indeed, if York pursues the 3.7% growth rate proposed in this report, the city's economy has the potential to double by 2026. However, if the city and the region are to get maximum benefit from these opportunities, then it is essential that the way we do business fundamentally changes. We believe our recommendations

Foreword

These closures cause hardship to many employees and their families, but overall the economic prosperity of the city has continued to grow. York is now contributing significantly to both regional and national prosperity.

York is fortunate in having a vibrant University actively promoting business growth. Development of the Science Park, and of other science related businesses, has been able to compensate for many of the job losses of recent years, and to provide significant economic development opportunities for the city. However there are more things that York can do, both to



are fully compatible with York's very special historical environment, and it's attractiveness as a place in which to live, to raise families, and to work.

This report sets out a possible way forward, but it will only work if there is a desire from the whole of the city to grasp current opportunities. This will require leadership, especially from the politicians, who will need to work even more closely together in a city council with no overall majority; but also from York's business community; and from the many other organisations that make York function today.

The real challenge is to agree our collective vision for York. From this will follow how we develop and deliver our future homes, workplaces, education, and transport, so that we are better able to meet the challenges that lie ahead. In the past York has not been afraid to embrace change and we should welcome the opportunities that the city has to move forward over the next few years. This report sets out our view as to how to do this. We make specific recommendations to City of York Council and to Government. The Group will look keenly at the responses we receive.

Members of the Group have contributed generously of their time and expertise. We have received support from many organisations and individuals across the city. I thank them all. Annex 1, which is the result of many hours of hard work by the Chief

Economist's Unit at Yorkshire Forward, will be a significant long-term asset to the city as it endeavours to develop its economic potential.

I commend this report to City of York Council, and to the people and businesses of York.

Christopher Garnett

Chairman
Future York Group

List of Future York Group Members

David Atkinson (City of York Council)

Brian Cantor (The University of York)

Len Cruddas (York & North Yorkshire Chamber of Commerce)

Barry Dodd (Yorkshire Forward)

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Christopher Garnett (Chairman)

Paul Grimwood & Matt Stripe (Nestlé)

Stephen Kennedy (CPP)

Stephen Mann (Norwich Union Life)

Andrew Scott (National Railway Museum)

Adam Sinclair (Mulberry Hall)

Mike Williamson (Langley's)

Richard Wood (Adams Hydraulics)

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Evidence Papers - these have been produced as separate documents

Appendix 1 Overview of the York Economy

Appendix 2 Background Papers

Summary Conclusions

Future York Group's Vision

York is:

a special city to live in
an ambitious city to work in
a spectacular city to visit

York:

incredible history
phenomenal future

In the recent past, York's economy has been successful and competitive in comparison to other towns and cities in the region. The city has contributed significantly to the region's economy, and, in the science, and research and development sectors, to that of the nation. There have been very significant shifts in the structure of the city's economy, with larger than average declines in manufacturing, and growth in financial services, tourism, and higher added value businesses. Employment has grown in the recent past by approximately one thousand jobs per year. Key policy decisions, for instance in relation to Science City York, to public transport improvements, and in supporting tourism, have clearly contributed to this success.

York's growth trend is likely to continue, but there are significant restraints upon the growth of the economy which will slow it down unless positive action is taken.

The analysis undertaken for us by Yorkshire Forward (see Appendix 1) clearly indicates that the main influence on the scale of future economic change within the city will be decisions taken by City of York Council and

its partner organisations, which must take advantage of the key opportunities that are now available.

We have also been made aware of the developments taking place in other cities, and the high levels of public and private sector investment they are attracting, which means that the competition for economic activity is becoming more difficult. York does not benefit from the significant amounts of regeneration and other public sector funding which are available to many northern cities.

If current expectations of economic and employment growth are to be achieved, the city needs to ensure the timely and effective development of key brownfield sites which have become available, to improve transport, and to revitalise the city's environment. Beyond that York's has the opportunity, working with regional and national government, to build upon its national position as a leading location for science, and research and development activity; to attract significant additional investment; and to become a leading European city in this field.

We believe that achievement of this economic growth is entirely compatible with conserving the city's heritage, and can be





done in ways which ensure that all people within the city can benefit. As the economy changes, some businesses are likely to decline in employment, but most people made redundant are expected to continue to find new jobs in growing sectors. Particular efforts are needed to ensure that semi-skilled production and process workers receive the re-training and other support necessary to move to new employment.

York cannot afford to be complacent, as to stand still amidst the current pace of global economic change, is to decline. It is imperative that the city becomes more outward looking, and both asserts and pursues its ambition to be competitive regionally, nationally and internationally.

We conclude that, if the city does not act to take advantage of current economic and business opportunities, York will fall back in relation to other areas. It would become more difficult for the city's businesses to remain competitive, and for the people of York to find skilled and well paid jobs. We, therefore, urge City of York Council and its partners to be ambitious, and to act quickly and decisively to take advantage of current opportunities. City of York Council and its political leaders must provide clear leadership, and ensure the creation and acceptance of a clear, coherent vision and strategy for the future of York, and effective partnership

delivery arrangements to ensure that this becomes reality. If it does not, there is every likelihood that a repeat of last summer's crisis situation will be faced again. York has a particular opportunity to deliver for the region. The city's significance as a 'bridge' between rural North Yorkshire and the Leeds City Region should not be underestimated, nor should its capacity to contribute to the regional economy through its 'tourism gateway' status. If the city does not achieve a step change, the future will not be as successful as the past and the city will stagnate or decline. Employment levels in existing major businesses cannot be expected to remain should this prophecy materialise.

In carrying out this strategic review of the York economy there are a number of overriding imperatives which we feel need to be stated. These imperatives set the context for the conclusions we have come to and underpin the recommendations we are making. The first of these imperatives is our very firm belief that a continuing successful economy is at the very heart of York's continuous success across the whole range of issues that contribute to the quality of life for all York's residents and the quality of the experience for all visitors to York. The second imperative is our very firm view that York's past success does not guarantee future success and therefore 'standing still' is not an option if we are to continue to enjoy the benefits of a successful economy.

York in 2020

If current opportunities are grasped we believe that by 2020 and beyond York will be:

- ▶ A growing and vibrant city, proud of its heritage, ambitious for all of its people and businesses, and confident of its economic future.
- ▶ A city in which all can benefit from the city's success as a result of active programmes to connect people and communities with new opportunities.
- ▶ On target so that by mid-century the step change in the city's economic growth will propel the York into the upper tier of the European City Region growth league; with annual growth of at least 2.7% over the next ten years. Therefore, we are seeking an economic growth rate of 3.7% over the next 10 years, which will be fuelled by the fruition of several proposed brownfield developments. We heard from Yorkshire Forward that if this is achieved, York's economy will double by 2026¹.
- ▶ Benefiting from the quality of the city's workforce and the significance of its research infrastructure as a national asset, which are driving development opportunities, re-shaping the city's image and delivering jobs to the local community.
- ▶ A world leader in fostering successful, adaptable, competitive, and knowledge-led businesses.

- ▶ A gateway to the region; in the top league of European visitor destinations; a city with an expanded and enhanced tourism, cultural and retailing offer, where there is always something new and exciting to make the city attractive for investors, visitors and shoppers.
- ▶ A city with a shared vision about seizing the opportunities of growth, embracing innovation, and achieving a synthesis with the historic heritage and townscape.
- ▶ A major catalyst in the development of the region's economy, with a significant part to play in the economic development of the region. This is particularly evident in the contribution of York's knowledge sector.



¹ If we articulate York's forecast economic growth over short and long-term time frames for the next ten years and put this growth in a broader city regional context across England and Europe (based on the Department of Communities and Local Government Core Cities report definition of key city regions), York's growth compares well. Notably current trend growth of 28% (over the next ten years) out-performs cities such as Lyon, Barcelona and Hamburg (although it is forecast to slightly under-perform key English city regions). See Appendix 1, Section 1.4 for further details. Future York Group's proposal is for an even greater growth rate target for York of 44% over the next ten years.

What We Need To Do

To ensure that we achieve this future a number of significant actions will be needed:

- ▮ Development of the York Central and British Sugar sites for a mix of uses, including offices for financial and professional services, close to the historic city centre, and linked to the region and beyond by sustainable rail services.
- ▮ Successful completion of the University of York's expansion at Heslington East, with growing numbers of science and design-led businesses, benefiting from a world leading knowledge transfer support network.
- ▮ Recognition by national government and regional agencies of the importance of York within the national economy as a location for science, and research and development (R&D) activities.
- ▮ Dualling of the northern ring road, providing improved journey times, reduced congestion, and access to key development sites.
- ▮ Provision of a flagship department store, together with a wide range of leading shops in a development of high quality design at Castle Piccadilly.
- ▮ The creation of new world-class attractions, demonstrating the ambition of the city, and encouraging discerning visitors.
- ▮ Improved streets and public spaces with a high quality well designed public realm, that is spectacular both by day and night, with an exciting programme of events and activities for residents and visitors,
- ▮ Development of world renowned modern buildings and structures to demonstrate the city's future vision and ambition.
- ▮ Provision of significant numbers of affordable family homes to match the growth in jobs.
- ▮ City businesses and residents to be served by rapid forty-five minute journey times to international airline connections.



ILLUSTRATION

Memo to: Chief Economist World Bank

From: UK Representative

8th May 2020

Science City York: an example to the world

Arrangements for the study visit are now completed. We will pick you up from the airport and you will be in the York hotel within the hour.

We will be seeking to explain York's outstanding success in growing its knowledge-led business sectors to our international audience. The main themes we have already agreed:

- i. The way in which the city and the university have mobilised a wide-ranging partnership to provide a very supportive environment for new and expanding high-tech businesses.
- ii. The work of the University in transferring knowledge from its research activities to new enterprises, and the innovative role of the new buildings in encouraging this.
- iii. The way in which a wide range of long established businesses within the city have been helped to develop and adopt new technology and to remain competitive in the global marketplace...

How We Need To Do It

To deliver these opportunities will require City of York Council to:

- ▀ Embrace our vision of future economic opportunity in York.
- ▀ Develop, along with key stakeholders, a comprehensive vision and strategy for the future of the city which embraces economic opportunity, and integrates it with social and environmental needs.
- ▀ Produce a detailed implementation plan, giving targets, timetables and milestones, to deliver the specific recommendations in this report.
- ▀ Give leadership to the city and to partnership activity in seizing the opportunities and delivering the vision.
- ▀ Create a stronger enhanced partnership, involving key stakeholders, and with the active involvement of city businesses, to plan and shape the economic future of the city.
- ▀ Create a business-led group, similar in role and membership to the Future York Group, to drive forward the strategy and programme.
- ▀ Ensure that the Local Development Framework is delivered by 2009.
- ▀ Engage with national government and regional agencies on a partnership basis, to discuss the additional resources, freedoms and flexibilities required to ensure that the contribution which York can make to the national and regional economies is delivered.

ILLUSTRATION

York, June 25th 2020

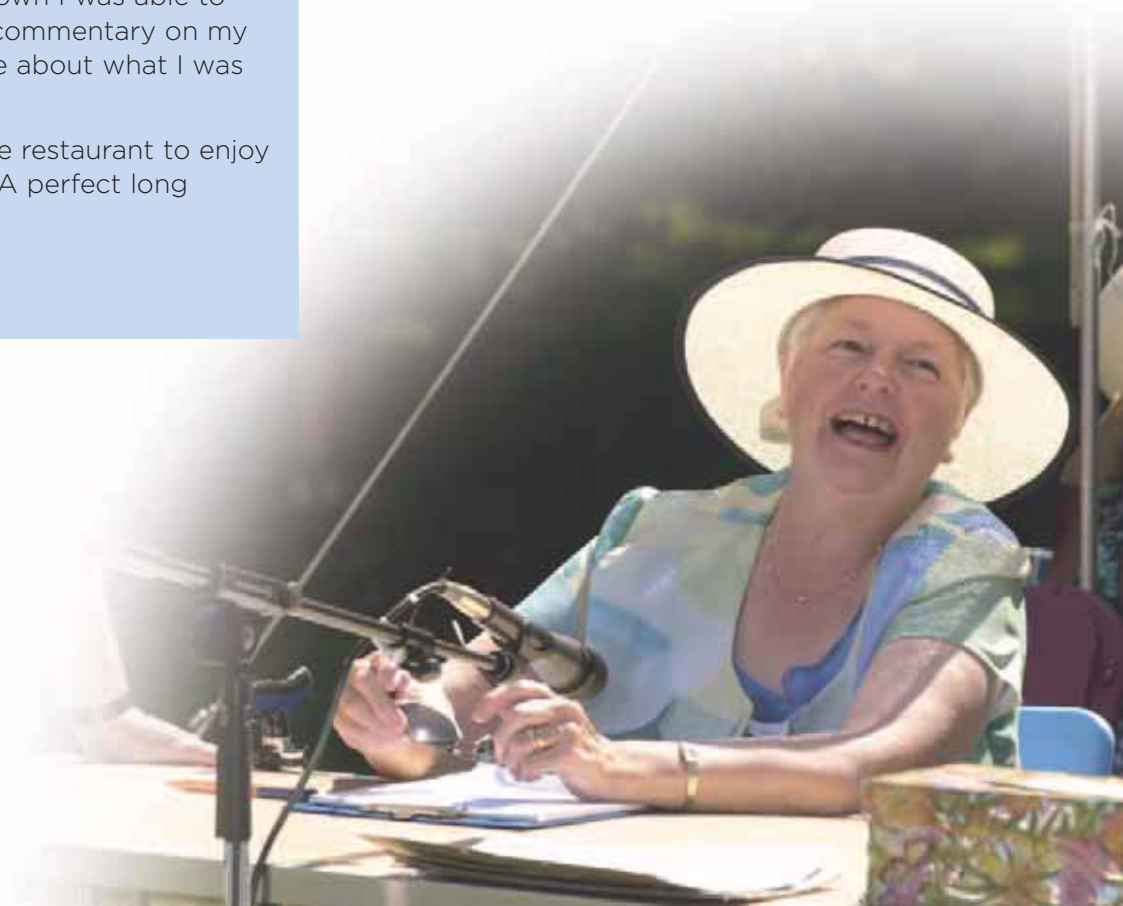
Dear Rachel

You were right - this is a great place to visit. Yesterday we saw the Mystery plays, and they finished with a spectacular finale in the new square by the cathedral - a perfect blend of the new and the old.

After visiting the new interactive museum and seeing that design at last - I can now picture how all the history fits together. As I walked around town I was able to listen to continuous commentary on my mp7 player telling me about what I was seeing - sensational.

We are now off to the restaurant to enjoy those Michelin stars. A perfect long weekend!

Sue



Key Recommendations

The following chapters in this report provide our analysis of the York economy, and our detailed recommendations to City of York Council for action. Here we summarise our Key Recommendations, and our reasons for them.

VL1: We recommend our vision of the long-term economic future of York to City of York Council and its partners, and urge them to adopt it as the plan for future policy and action. We propose an ambitious economic vision based upon taking forward the full range of economic opportunities available to the city. We believe that City of York Council and the people of York should embrace this vision with enthusiasm.

P1: It is essential that City of York Council re-invigorate the role and membership of its partnerships, to ensure that they are effective in delivering the Future York Vision and the oversight of economic development and place shaping activities. We recommend to businesses and business organisations in the city that they commit themselves to support the new partnership and consultation arrangements, and actively participate in them. The city council and other major stakeholders will need to work more effectively together, over a sustained period, to deliver the vision and strategy. This will need the committed involvement of key decision-makers from stakeholders and interest groups. The

committed involvement of businesses and business leaders is essential, as this will foster a business-led approach in delivery. This will only be achieved if partnership institutions are seen to be effective, responsible and credible.

P6: We recommend that City of York Council urgently prepare a Masterplan, reflecting the Future York Vision, to guide development and investment decisions, and to promote investment. A detailed plan is needed to show how the vision will be implemented, with information about developments in particular areas and the timescales and phasing required.



E1: We recommend that City of York Council and its partners adopt ambitious plans for the future economy of York, with an aim to double the city's economy by 2026. We ask City of York Council and its partners to create an economy which supports knowledge-led businesses; which develops its tourism and retail industries to achieve higher added value; which promotes financial and professional service activities; and which creates a supportive business environment. There are very significant opportunities to grow the York economy: through knowledge led businesses; through enhancing the tourism offer; through providing professional offices; and through supporting established businesses. We believe that the city should fully grasp the opportunities available.

E3: We recommend that Science City York continue to be supported as a key programme for the future. We endorse the proposals of Science City York, of City of York Council, and of the University of York for the expansion of innovation activity, for the provision of high quality sites and premises for science-based businesses, and for the proposed University of York developments at Heslington. Science City York needs to develop engagement with the wider business community in York in order to leverage the benefits of its nationally recognised status. Science City York has proved its ability to modernise the economy and improve the competitiveness of the city and its reputation for innovation. York has

the potential to be in the first rank of European cities for science-based business. We believe that this is an end to be sought. We highly commend the fact that 50% of all jobs created by Science City York are projected to be recruited from within the local workforce.

In York it is very difficult to secure private sector investment in property which is specially designed for science-based firms, either because of a planning restriction; or because of specific technical specification; or even due to flexibility of terms; (or indeed a combination of all three). We support Science City York's recent request to HM Treasury for enterprise zone-style capital allowance for limited classes of property investment in R&D zones to encourage development. This was outlined in a recent report to HM Treasury.

E4: We recommend that City of York Council strengthen its tourism partnerships, by having a single tourism partnership organisation, working with the private sector to deliver growth in tourism spend which exceeds Yorkshire Forward's 5% per annum target for the city. The partnership should adopt a plan which aims to deliver transformational enhancements to York's visitor attractions; improvements to accommodation and hospitality provision within the city; and to the quality of the public realm; in order to attract higher added value in the tourism sector, and strengthen the city's function as a tourism



gateway to the wider region. This is likely to require a creative approach to securing the necessary funding which involves both the public and private sector, and the lobbying of Government for financial assistance. Tourism has the potential to continue to make a very significant contribution to both the city and regional economy, and to create a wide range of jobs. But competition from other cities, in the UK and overseas, is very strong. York needs to enhance its tourism offer to remain competitive. The success of this sector is key to sustaining the high quality of life across the city, which attracts a broader range of jobs.

E5: We recommend that City of York Council work closely with key business sectors, particularly manufacturing and financial services, to better understand their needs; to create appropriate conditions both for their continuing success within the city; and to foster future growth opportunities. It is not inevitable that long established businesses within the city will decline as a consequence of global competition. The city should do what is possible to provide a supportive environment for businesses, and to support investment in innovative products and processes, to enable York businesses to remain competitive. Within this, it is essential that all available skills are harnessed to ensure business success.

S1: We recommend that City of York Council work with business and other key partners, and support the work of Learning City York, in analysing the city's skills needs and the spatial mismatches between labour demand and supply. This will enable more specific targeted policy responses to be developed. Despite the strength of the economy, significant skills gaps remain between the needs of employers and the skills available within the workforce. Action is needed to identify the gaps and to provide the training and guidance services required.

² Science City York (March 2007) 'Stepping up the Transformation: Case Paper to HM Treasury': "As with the Enterprise Zones we suggest 100% capital allowances for capital expenditure on constructing, improving or extending commercial or industrial buildings. However, these circumstances should be limited to certain classes of property that fulfil the following characteristics: occupation limited to science and technology companies; involving significant specialist R&D space (e.g. lab space more than 10% of total space); location in proximity to HEI research facilities."

S7: We recommend that City of York Council work with key partners and relevant stakeholders to ensure that the disparity in income in the city does not widen as the economy expands. Positive action must be taken to ensure that as many residents and employees as possible can benefit from new economic opportunities.

If our recommendations are followed there will be growing numbers of jobs, at all skill levels, available within the city. To ensure that these are available to local residents, positive action will be required from City of York Council, and from skills, recruitment, and training providers, targeting areas of deprivation within the city, process and production workers, and people with lower levels of skills.

In1: We ask City of York Council to provide the additional resources needed to ensure that the Local Development Framework is adopted by 2009, so that a strong and statutory planning framework is in place to support and guide future economic development, housing and transport infrastructure requirements. Lack of an approved statutory development plan for the city has inhibited development. An approved planning framework is needed as quickly as possible to guide and promote the development required for economic growth and to provide greater certainty to developers.

In5: We urge City of York Council to work with neighbouring authorities and with regional partners to ensure the adoption of a supportive and consistent economic development, employment, land, housing and transport strategy across the sub-region.

The York economy cannot be understood and developed in isolation from the surrounding sub-region and region. City of York Council needs to work with neighbouring authorities, and within the Leeds City Region, to ensure that the strategy for the city can be effectively delivered. The city economy will not grow unless it is integrated into that of the wider region. Furthermore, the City of York will not be able to access the funding it requires unless it engages with appropriate agencies on a regional basis.

In6: We recommend to City of York Council that sufficient and appropriate housing (particularly affordable and family housing, both of which are currently in short supply in the city), is allocated in the LDF to support the economic and social development objectives of the city and be consistent with our economic and employment proposals.

There is inconsistency between the city's aspirations for economic development and employment growth, and the housing supply allocations currently proposed. The city economy will not develop coherently unless

additional housing is made available within the city.

In12: We recommend that City of York Council be pro active in working with regional partners to:

- i) Secure the necessary funds to allow for the dualling of the city's northern ring road**
- ii) Make the required connectivity improvements to at least one of three regional airports to allow a maximum forty-five minute transfer time from the city. In addition to benefiting York, this would develop international access across the region, which would significantly develop Yorkshire & Humber's competitiveness in the global knowledge economy.³**
- iii) Investigate options and funding mechanisms to improve sustainable public transport links to neighbouring towns and cities.**

The importance of an effective transport system is crucial to the success of the economy and transport is identified as the biggest constraint to economic growth. Lack of investment in transport infrastructure will, therefore, have a detrimental impact both on the York economy and its wider role within the region.

³ Close proximity to an airport has been identified by a number of academics as a key success factor in developing competitive knowledge economies. The rationale behind this is that air travel is necessary to make ideas, processes and people internationally mobile. Connectivity is also a key consideration for businesses when assessing the merits of relocation.

¹⁰ Close proximity to an airport has been identified by a number of academics as a key success factor in developing competitive knowledge economies. The rationale behind this is that air travel is necessary to make ideas, processes and people internationally mobile. Connectivity is also a key consideration for businesses when assessing the merits of relocation.

The Economy & Business

York's Economy

We received evidence on York's economic performance from a number of organisations, including City of York Council and Yorkshire Forward, and are grateful for their contributions. A detailed analysis of the economy prepared by the Chief Economist's Unit at Yorkshire Forward is published as a separate volume to accompany this report. Along with verbal and written presentations to the Group, this document has enabled Future York members to develop an understanding of the recent history of York's economy, its present state, and its potential for change over the next twenty years. The regional, national and international context of York's economic performance has also been provided and has stimulated wide-ranging debate.

5 Drivers of Economic Growth:

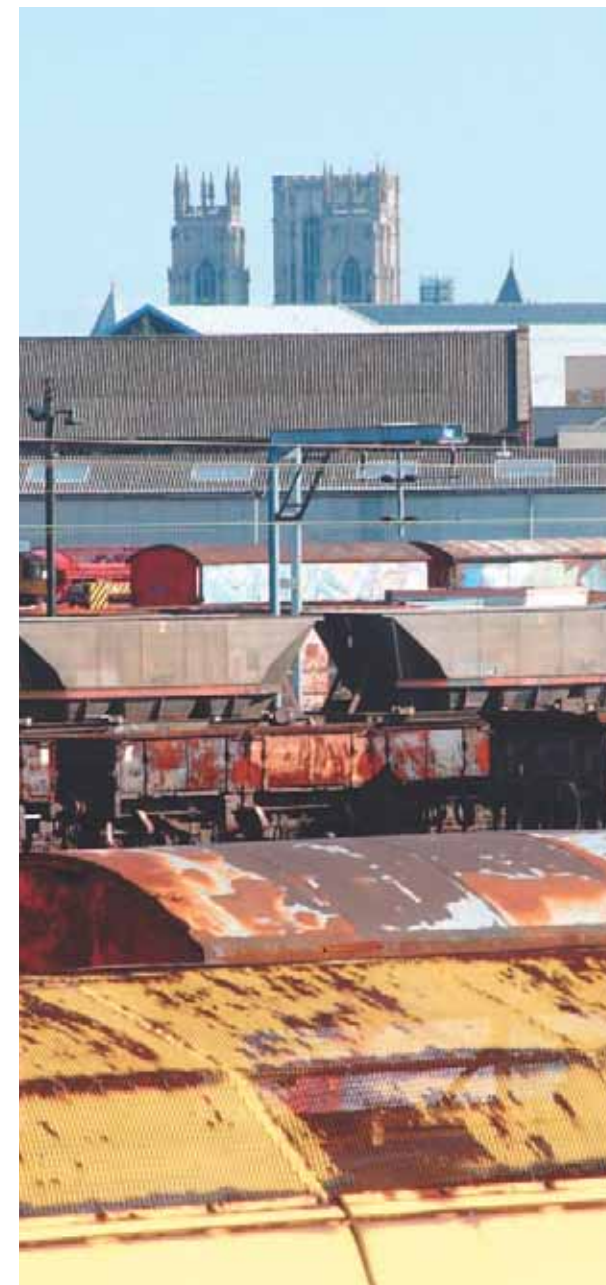
"Employment, skills, innovation, competition and investment" (Source: HMT/DTI [November 2001] 'Productivity in the UK 3: The Regional Dimension')

We heard that over the longer timescale the industrial revolution was slow in coming to York, but that an unprecedented period of growth in commerce and manufacturing followed the city's establishment as a major rail centre in the 1840s. As recently as the 1950s, York's prosperity was based on rail, the manufacture of scientific instruments, and confectionery. However, over recent years the city has lost much of its established employment base. Terry's chocolate factory, which was first established in York in 1767 under the name of Bayldon and Berry, closed its doors in 2005, with a loss of 316 jobs. Nestlé (which acquired the former Rowntree plc in 1988)⁴ is currently in

⁴ The history of Rowntree's chocolate in York dates back to the nineteenth century.

Characteristics of Successful City Regions:

"Diversity of economic base; skills base; connectivity; strategic leadership capacity; quality of life" (Source: ODPM [2004] 'Competitive European Cities: Where do the core cities stand?')



the process of reducing its York-based workforce. British Sugar will shortly close its York factory (established in 1926), with the loss of 142 jobs. Most of the railway manufacturing industry has gone, including the carriage works (closed in the mid-1990s), which, at its height in the 1880s employed approximately 5500 members of staff. York's economy is now dominated by tourism, science and professional and financial services, having undergone a significant shift over the last twenty years.

We recognise that throughout its history York has remained a successful economic centre, as the city has consistently embraced change. This is evidenced both in its transformation into a major hub for rail and commerce in Victorian Britain, and its transformation into a nationally recognised Science City in 1998. Despite recent successes, we accept that York is once again at an economic crossroads. The city cannot afford to be complacent, as to stand still amidst the current pace of global economic change, is to decline. It is imperative that York becomes more outward looking, and both asserts and pursues its ambition to be competitive regionally, nationally and internationally.

We recognise that significant progress has been made in modernising York's economy to address the external challenges of the global market place, particularly given that the city does not receive the regeneration funding streams from Government which are

available to less affluent areas. However, as established industries can no longer be expected to provide the job numbers they once did, new ways of providing quality, lasting employment opportunities must be found. York has the potential to capture significant new business investment and to provide benefits to a large part of the sub-region. York's unemployment level has remained low for a long period and regionally the city can be seen to be performing well in comparison with its counterparts. However, we heard that stakeholders increasingly question whether the city's economy is strong enough to meet

new challenges from new competitors. The evidence outlined below reveals that York has enjoyed the benefit of a robust economy over the last twenty years, but that other areas are now beginning to close the gap, putting the city's competitive advantages, including its vital tourism offer, under increasing threat. As recent jolts to the manufacturing sector serve to underline, there is absolutely no room for complacency.

York's Economic Past

We have seen evidence that York has experienced large-scale changes within its economy during the last twenty years. Over this period the pace of structural change in the city has been greater than across the UK as a whole. In the early 1980s, too many jobs were concentrated in a few large firms, with the top five employers accounting for approximately 30% of York's entire workforce. In manufacturing 71% of jobs were distributed across just four companies.⁵ Of these, British Rail Engineering, Terry's, and Redfearn National Glass no longer operate in the city. Nestlé remains, but is much reduced in size. We heard that between 1984 and 2004, manufacturing employment fell by 65% (from 19500 to 6800), which is twice the figure experienced by the rest of the region over the same period. Across the UK, the reduction has been 42% (equivalent to 2.23 million jobs lost). This demonstrates the long term nature of the trend most recently

⁵ 40% of the city's manufacturing jobs were located in one company, with 58% in the top two, and 65% in the top three.



expressed through a large proportion of the redundancy announcements which instigated this report.

We acknowledge that during the 1980s, York's economic outlook was poor, with low pay in a number of sectors; low skill levels; limited career choices; no key growth sector; and poor infrastructure. Though some of these concerns remain, City of York Council's response to the decline in traditional manufacturing employment, and the threat to the prosperity of the city, has consistently developed in partnership with local organisations since this time. We heard that the initial response was the successful 'Partnership for Prosperity' campaign in the late 1980s and early 1990s, which sought to diversify the economy by attracting significant administrative and financial services organisations to the city - such as MAFF (now DEFRA), The Central Science Laboratory (CSL), and Smith and Nephew. During this period Norwich Union took over GA Life and helped underline the importance of York as a centre for business services. This sector currently provides around 10000 jobs and is forecast to grow over the next twenty years as it responds to the specific needs of the science and knowledge sector. York is therefore established as a successful location for such activities.⁶ The success of the Partnership for Prosperity's pursuit of inward investment activity can be seen in the growth of employment in the

administrative and financial services sectors. However, in a highly competitive environment this strategy was not enough to create the totality of economic change needed.

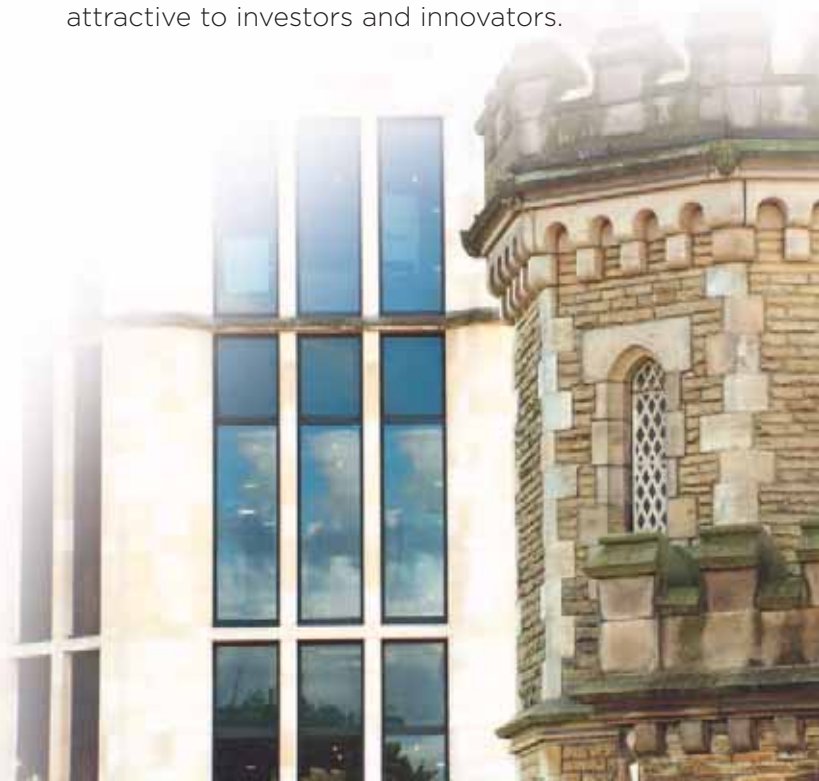
We heard that in the mid-1990s, York turned its attention to an area that would maximise its greatest asset, its magnificent environment, and improving the quality of the tourist offer moved to the top of the agenda. In 1995 the First Stop York tourism partnership was formed and the city set about growing an area that would soon become one of the largest employment sectors in the city. Throughout the 1990s and early 2000s, income from tourism steadily increased, though during this period visitor numbers remained constant at around four million per year. In 2005, income from tourism increased by 10%, to a record £300 million, without any increase in visitor numbers. Visitors are staying for longer and spending more to the benefit of the local economy (the current average stay being 3.28 days). As a result, tourism employment is growing, and last year grew by a further 700 to 9600. We acknowledge that despite this success, competition to attract visitors from home and overseas continues to increase, rendering new support mechanisms vital. We recognise that continuous improvement in the quality of York's cultural offer is essential if the city's success in this key sector of the economy is to continue. This necessitates not only the

refreshment of existing visitor attractions, but also the development of new facilities.

A new strategy put forward in the mid-1990s recognised that York needed a new 'engine of growth', to provide a platform for a modern, growing economy, which was both competitive and sustainable. We heard that the concept of Science City York was developed to build on York's strong knowledge-base. This was intended to generate much-needed quality jobs and act as a catalyst to growing prosperity in broader terms by creating induced employment as employees spent their income in the local economy.

Science City York was intended to create a clear identity for the city which would be attractive to investors and innovators.

⁶ York still has land available to enable it to absorb more inward investment, but it is important to ensure that the city's housing market and transport infrastructure are developed to accommodate further economic growth (see Chapter 4 for further details).



We received evidence from Yorkshire Forward that over the last ten years (1995-2005), the City of York has seen full-time equivalent (FTE) jobs grow by over 9000. We heard that there has been considerable growth in the business services, and transport sectors. Good growth in employment has taken place in the education, health, hotels and catering, and retail sectors, whilst reasonable growth has been shown in the banking and insurance, communications, metals, and wholesale sectors. This has had a positive effect on increasing the number of corporate administrators, elementary clerical/service staff, transport drivers and operatives, business/public service associate professionals, caring/personal services staff and sales professionals. However, the last decade has also seen a significant decline in the numbers of jobs in the construction, and food and drink sectors. This has had a knock-on impact, particularly on occupations in skilled construction trades and for process, plant and machine operatives.

York's Economic Present

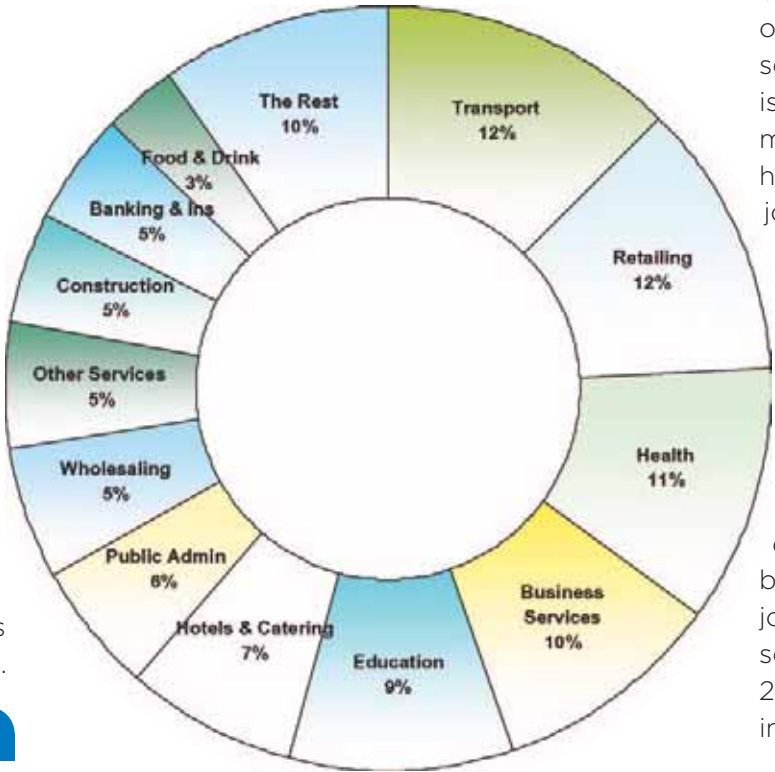
York is cited in the 'State of the English Cities' report (ODPM, 2006) as one of three cities in the north of England featuring in the top quartile for economic performance nationally. York has low unemployment, high GVA (Gross Value Added) and high skills levels. Indeed, York is often referred to as

'the only southern city in the north.' Between 1995 and 2002, York experienced the nineteenth highest percentage change in GVA per capita nationally (which is just above the England average of 42.7%).

We recognise that York is experiencing an ongoing transition from manufacturing to services and science based employment, but is not alone in experiencing significant manufacturing employment decline. We heard that a decreasing number of manual jobs are available to replace manufacturing positions. However, analysis conducted by Yorkshire Forward suggests that the people made redundant from British Sugar, Nestlé and Norwich Union which instigated the creation of Future York Group, are being absorbed by York's economy. Statistics reveal that growth in distribution and hospitality; in financial and other services; and in the public sector, has been more than enough to replace those jobs lost in York over the past 12 months. We see that total employment in the city in 2004 was 29000 more, or 41% higher, than in 1984.

York's economy has changed significantly over the last 20 years from a manufacturing base to industries concentrating on science and technology, financial services, and higher value-added tourism. We received evidence that the current distribution of jobs in the city as follows.

York's Current Industrial Structure



Source: Yorkshire Forward/Experian Business Strategies Ltd, 'Regional Econometric Model', (Autumn 2006).

We heard that 78.7% (89700) of York's working age population are in employment, compared to 74.4% across England. Of the 24200 people of working age not in employment, 2600 are unemployed and 21600 are classed as economically inactive. 4000 residents among the economically inactive population would like a job, though 17600 do not wish to work. Yorkshire Forward suggests that the successful transfer of economically inactive residents

current rate of unemployment is 1.9%, which remains lower than the regional average of 3.4% and the national average of 3%. Evidence from Yorkshire Forward has revealed that salaries in York are broadly around the regional average, but lower than both national and industry averages in most cases. The Group noted that despite evidence to the contrary, the city is perceived by employers to have high labour costs. This misconception could become a barrier to growth if not challenged.

firms in York were slightly more interested in growing their business within the next two years than those in the region as a whole (65.7% of respondents compared to 64.6%).

We recognise that the retail industry is facing difficult times nationally. Despite this, the majority of retailers in York report that the city is a good location for their business. Several new brands, including Coast, H&M, Levis, L'Occitane, and Zara have opened stores in the city over the past year. An 8% increase in the use of the city's car parks and park and ride facilities reinforces indications of the continued strength and competitiveness of the city centre offer. We heard that a £6 million improvement scheme at the city's Outlet Centre in Fulford is expected to create 110 new jobs in the near future.

We received evidence that productivity in York is higher than in any other city in the region except Leeds, and is much higher than the national average. York's skills mix is also reported to be the best in the region, with forecasts by Yorkshire Forward suggesting that this situation is set to improve (see Chapter 3). However, we heard that though firms in York trade globally, they typically sell a lower proportion of total sales abroad than is the case regionally. In addition, vacancy rates amongst York's employers have risen more quickly than regionally or nationally, and levels of self-employment in York (8.9%) are below the national (12.7%) and regional averages (11.2%). There has been little change to this

Industry	Number of Employees (2005)	Percentage
Agriculture and Fishing	400	0.4
Energy and Water	-	-
Manufacturing	6,500	6.5
Construction	4,600	4.6
Distribution, Hotels and Restaurants	28,000	28.0
Transport and Communication	8,000	8.1
Banking, Finance and Insurance	18,200	18.2
Public Administration and Education	29,200	29.2
Other Services	4,600	4.6

Source: Annual Business Survey, 2005

into local employment would help to address a potential shortfall in the local workforce should York meet its forecast employment growth over the next twenty years (see below).

York's unemployment rate has been noticeably below that of the region and the UK for more than ten years. The

Evidence presented by Yorkshire Forward reveals that the level of competition in the market in York is below the England average, but several indicators suggest a competitive market. Growth among firms in York is consistent with a competitive market and evidence from the Yorkshire Forward/CBI Survey of Regional Economic Trends (September 2006) also demonstrated that

figure since 1995 and little is forecast to 2015. The largest proportion of self-employed people in York are operating in the business services sector (21.3%), with significant proportions in construction (14%), transport (13.7%) and retailing (10.4%). Analysis conducted by Yorkshire Forward suggests that lower rates of self-employment and business ownership are not unusual given York's status as a major employment centre. However, we recognise that self-employment may become important for the district in the future in the context of an ageing population, migration and likely growth in full-time equivalent employment.

We heard from Yorkshire Forward that business density (measured as VAT registered businesses per 10000 adult population) in York is lower than the national and regional averages, but indicative of an urban employment centre. Growth since 1999 in business stock (i.e. VAT registered businesses) in the district has been above average. There appears to be no major requirement to significantly increase the business stock of York. However, if the regional Economic Strategy Enterprise target of increasing the VAT business stock of the region is applied to York, it would require an additional 1235 businesses in the city to be VAT registered.

The Group has continuously commented that York's current economic performance may be viewed in either a largely positive, or in a largely negative manner. On the positive

side York has, for example, a high disposable income when compared to the regional and national averages. On the negative side, statistical evidence shows signs of a two-tier economy and pockets of multiple deprivation among the city's neighbourhoods. It is important to recognise both economic negatives (e.g. skills gaps/deficiencies and recruitment/staff turnover) and positives (e.g. the creation of jobs in Science City) in the context of this review. York must ensure that the benefits of its growth strategy are widely shared, to avoid a future exacerbation of the current divide between the socially and economically included and those who remain excluded (see Chapter 3).

York's Economic Future

Forecasts from Yorkshire Forward suggest that the long term trend of GDP and employment growth in the UK will be well below levels seen over the last five years, with average GDP growth to 2011 of 2.5% and employment growth of 0.5%. York's economy is expected to grow at a rate above the UK trend, with GVA growth of 2.7% expected over the next ten years. Therefore we are seeking an economic growth rate of 3.7% over the next 10 years, which will be fuelled by the fruition of several proposed brownfield developments. We heard from Yorkshire Forward that if this is achieved, York's economy will double by 2026. Interest rates have a more profound effect on York's economy in terms of numbers employed than global economic



drivers. York particularly benefits from stable or falling interest rates.

However, the opportunity to take forward the major regeneration schemes within the city (including Heslington East, York Central/British Sugar, the Vanguard Site, Terry's, Hungate, Foss Island's Road and Castle Piccadilly) have the potential to drive growth in the York economy at levels significantly above the current trend. These sites will provide the city an the historic, once in a generation, opportunity to provide

land for a wide variety of employment-generating activities to ensure that expected demand from new and local businesses is accommodated. Estimates for the key sites indicate the potential for approximately 18000 jobs to be created within them. Brownfield sites across the city also have the potential to provide land for housing, which is in short supply across York (particularly with regard to affordable and family housing).

Beyond these opportunities York is further placed to benefit from its success as a location for science, and for research and development (R&D) led business. The city is important within the national economy as a generator of this activity. We can become a location of choice for foreign direct investment within these sectors, as well as for UK based business. As part of a strategy to achieve this we need to encourage national government to relocate an appropriate research based government department to the city, to add to and to strengthen the networks of support for these activities within the city. The expansion and strengthening of Science City York (currently underway) is a necessary part of this strategy. Successful expansion of economic activity of this kind, and the perception of York as a desirable location for it, will create long term competitive advantage for the city.

There are, therefore, three levels of opportunity for the city: trend growth based upon the current structure of the economy; additional growth based upon the



regeneration of brownfield sites; and R&D led growth which would provide long term competitive benefit to the city. We recommend that York fully embrace to the opportunities available to it. If it does not other cities will.

E1: We recommend that City of York Council and its partners adopt ambitious plans for the future economy of York, with an aim to double the city's economy by 2026. We ask City of York Council and its partners to create an economy which supports knowledge-led businesses; which develops its tourism industry to achieve higher added value; which promotes financial and professional service activities; and which creates a supportive business environment.

Analysis conducted by Yorkshire Forward reveals that there are several economic risks that might constrain this predicted pattern of growth. York's population growth is not expected to match its economic growth needs, which would put pressure on improving housing provision and transport. In addition, recent surveys reveal that 59% of householders in Yorkshire and the Humber are not prepared to travel more than 30 minutes to work. However, research also reveals that York is potentially a magnet for workers from other areas in the region. In this context, York will need to be mindful of the growth of the Leeds economy and how this may impact on commuting rates, both in and out of the city. In addition, York will need

to focus on raising the qualifications of its young people, and continuing to attract graduates (see Chapter 3). Overseas sales have declined as the importance of domestic sales to York firms has increased. An over-reliance on domestic markets could pose a significant risk to the stability of York's economy going forward. Long term fiscal and monetary stability is clearly important to York's economy over the next five years (as it nationally and across key cities in the North of England).

Analysis by Yorkshire Forward suggests that York's economy is more sensitive to sustained interest rate rises than other cities in Yorkshire. Rising interest rates could constrain York's growth by up 5%, shedding over £125 million annually from the economy by 2016.

In addition, there are key capacity issues with the current public and road transport systems for York. This is expected to have an impact on how much the city can feasibly grow in terms of employment in the future.

We heard that the industrial structure of York has changed quite significantly over the past ten years. These structural changes look set to settle down over the next ten years, and forecasts suggest that growth in employment will continue, but at a lesser pace than in the past.⁸ Forecasts from Yorkshire Forward based on a continuance of the current strategic approach predict

that between 2005 and 2015, a further 3400 FTEs will be added to the city's jobs market, bringing the total number of full-time equivalent jobs in the district to an estimated 90600 from 87200 in 2005. The business services, education, health, hotels and catering, public administration, retailing, and transport sectors are currently, and will remain, the key employing industries in the district for the next ten years. We heard that significant growth is expected between 2005 and 2015 in the health sector (+1300 FTEs), transport (+1200 FTEs), and business services (+1000 FTEs). Good growth is forecast in retailing (+760 FTEs), hotels and catering (+700 FTEs) and other services (+630 FTEs). Smaller growth is forecast for banking and insurance (+400) and communications (+200). Science City York is also expected to be a major contributor to the projected growth in job numbers.

The achievements of the past need to provide the platform for an inclusive future economy with processes in place to ensure that the manufacturing sector is afforded the best possible conditions to face global challenges. To 2015 continued significant decline in the construction and food and drink industries is forecast. The public

administration and defence industries are also forecast to suffer moderate losses. Lesser declines may be experienced in wholesaling and in paper, printing and publishing. The transport equipment, and textiles and clothing industries will all but disappear (although they are not currently large employers in York). Looking ahead to the future, new jobs are expected to require different and, more likely than not, higher skills. York's employment structure will continue to have an impact on its productivity levels, specifically as it has a high proportion of employment in lower productivity sectors (retailing, hotels and catering, and transport). In addition, York has low manufacturing employment which has relatively high productivity. Although the city's productivity levels are currently lower than the UK average, they are similar to the regional average.

We received evidence that red tape is overwhelmingly seen as impeding competitiveness among businesses within York. Transport cost is also a considerable factor which impedes competitiveness. Particularly to York, 'lack of appropriate workspace' and 'low capital investment' are also more relevant than for UK firms as a

⁸ As part of the background work to inform the draft Local Plan, City of York Council commissioned Dr Bernard Stafford, of the University of York, to predict the number of employees there would be in different employment sectors of the York economy in 2021. His report (2000) looked at four scenarios relating to York's future economic performance ranging from 11000 net increase in jobs by 2021 (rapid slow down of the York economy compared to past rates of growth) to 29000 net additional jobs by 2021 (York continuing to outperform the national economy). During city-wide consultation on the draft Local Plan (2001) the option of a net 19000 growth in employment (gradual convergence of York/UK economies) was supported by 57.5% of residents and 55.5% of businesses. A further 30% of residents and 31% of businesses favoured the higher (29,000 net growth) option.

Only 6% of residents favored the lowest option of 11000 net job growth. The council selected the 19000 growth option – this was seen as the 'balanced' approach, giving scope for further economic growth without compromising wider sustainable development objectives.

whole. There are significant restraints on the growth of business within the city, including the availability of suitable land and premises, and transport links and congestion (see Chapter 4).

We heard that nearly two-thirds of businesses in York say they plan to grow their business in the next two years, which is slightly higher than the regional average. Similarly, over the past year, evidence from self-employed/business owners suggests that micro-businesses in the city have been recruiting staff at a far greater rate than the national average. York performs well on business survival, with slightly more companies still in business after three years than both regional and national rates. However, coupled with a modest start-up rate this may well reduce levels of 'churn' and therefore competition within the business base, with the potential to restrict long-term productivity growth in the district. Stimulating existing households and businesses to start-up or move up the value chain, and increasing inward investment may help to address this.

Yorkshire Forward reported that around 3.7% of households in York are thinking about starting their own business, which is less than both the regional and England averages, and a reduction on previous years. It also compares less well to other cities in the region such as Leeds (4.9%), Sheffield (4.5%) and Bradford (4.8%). Given its already relatively modest start-up levels, this may

pose significant issues going forward, as self-employment will potentially become more important to meet future workforce versus pensions demands. In terms of encouraging entrepreneurial activity, target-marketing the 35-44 age group in York is likely to be the most successful approach.

York's Economy - Summary

The evidence received from contributors to the debate, as summarised above, reveals that York remains a profitable place from which to do business. Despite the ever-increasing pace of globalisation and regional trends, York's economic future largely rests in the city's own hands. We strongly feel that if City of York Council is able to provide strong leadership and develop consensus regarding economic development policy among key partners, the city has the ability to resolve many of its current issues for itself. Indeed, with the combination of the availability of large amounts of brownfield land; the opportunity to grow knowledge led business; the development of the Leeds City Region, and Government agendas which strengthen the 'place shaping' role of local authorities, the city has reached a seminal moment in which it has a unique opportunity to determine the scale of change which will determine its own

economic future. However, York does find it difficult to access Government funding streams for economic development/regeneration, which have the potential to expedite the city's plans to develop its economy.

Future York Group unanimously agrees that standing still is not an option and that continuous economic growth is required for York to remain competitive regionally, nationally and internationally. The city has a unique opportunity in the region to build the new on the old due to its historic context, and to develop an economic future for itself



in the 21st century. We recognise that York Central offers a unique opportunity to create 'a city within a city'. Measured economic growth is required which provides a step-change for York. It is imperative that the city continues to change and to act as a driver for change in the wider area. In order to achieve this, the creation of a diverse and growing economy will be key.

We believe that our recommendations for growing the economy are fully compatible with conserving the historic heritage and environment of the city, with sustainability objectives, and with ensuring that the benefits are shared by all residents.

Business Involvement

The city needs to ensure that economic development initiatives across various organisations are joined up, and to ensure dialogues take place between similar industrial sectors. The Group heard that the public sector currently seeks to engage with business through a series of disconnected means, with each agency making contact in isolation. The private sector currently struggles to accommodate the resulting multiplicity in requests and would be much more receptive to a streamlined approach. The council has acknowledged an urgent need to review its current communication channels with local businesses and to align these with formal partnership structures (see Chapter 6). It is imperative that City of York Council develops better relations with local businesses, as understanding the needs of

local employers is a prerequisite to the development of economic policy. The city council particularly needs to ensure an understanding of the needs of key business sectors, such as financial services and manufacturing, to ensure it is able to create the appropriate conditions for their continuing success in the city.

E2: We recommend that City of York Council adopt a formal procedure for contacting key businesses within the city to discuss their needs, perhaps expanding on the current Key Account Management arrangements with the largest businesses. We further recommend that City of York Council develop streamlined communication and consultation channels with business and that a climate of cooperation is extended to both existing organisations and potential investors.



Science City York

Launched in 1998 by Lord Sainsbury, we heard that Science City York's strategic vision was to develop: "a leading centre at the forefront of innovation, creativity and change within a prosperous and thriving economy". We recognise that this initiative has become a successful model of collaboration between City of York Council, The University of York, and private industry, which has subsequently received support from Yorkshire Forward and Northern Way funding in recognition of its wider economic potential. In 2004, York was designated as one of six national Science Cities.

We heard that Science City York is based on 'cluster development', the basic premise of which is that geographical concentrations of industries gain performance advantages through co-location. Cluster development is reliant on the successful development of sectors that have the ability to compete internationally. We heard that the UK Government believes that the nation's economic future is reliant on science and innovation. In focusing on three fast-growing science clusters: Bioscience York (Bioscience and Healthcare); Creative York (Heritage and Arts Technology); and IT & Digital York (Information and Communication Technology); we acknowledge that Science City York supports central government's strategy regarding national economic development. We recognise that to date, the initiative has supported the creation of 2772

science and technology jobs – a 60% increase in such employment. We heard that York is now home to over 250 science-based enterprises, which employ 9000 people (over 10% of York's working population). Employment in these businesses is growing by more than 6.5% per year. Science City York aims to have stimulated £1Billion of investment in Yorkshire's knowledge base by 2021.

We heard that the new and expanded businesses created within Science City York are the engine which powers growth. As well as their direct employment they generate growth within their supply chains, in manufacturers and services; in the multiplier effects of their activities; and in the wealth they and their employees spend within the local economy. Preliminary assessments suggest that 50% of the jobs generated by Science City York will be recruited from within the local workforce, with the remainder securing the employment and retention of university graduates or being filled by incomers.

We heard that Science City York was created as a response to the changing dynamics of York's economy. In the mid-1990s forecasts projected an ongoing annual shortfall of 4500-5000 jobs to meet the needs of the city's current and future workforce. At its inception, nine years ago, Science City was a leading example of innovation. Now, however, we recognise that other cities are beginning to develop similar initiatives. As a consequence Science City York has decided upon an even more dynamic phase of

growth and delivery. We heard that key stakeholders have agreed to put in place more formal governance and management systems by forming a company limited by guarantee, with core funding from Yorkshire Forward, City of York Council and the University of York. A high calibre CEO has recently been appointed. The intention is that the new vehicle will be a more nimble, efficient company structure to help levy other sources of funding and stimulate economic development and in leveraging additional resources into the city. Resources are currently being integrated and consolidated to improve business development and support capabilities.

We fully support the importance of Science City York in driving forward the modernisation and competitiveness of the York economy. The city must ensure that it is able to grasp the opportunities offered by its position as a leading European location for knowledge led business.

E3: We recommend that Science City York continue to be supported as a key programme for the future. We endorse the proposals of Science City York, of City of York Council, and of the University of York for the expansion of innovation activity, for the provision of high quality sites and premises for science-based businesses, and for the proposed University of York developments at Heslington. Science City also needs to develop engagement with the wider business community in York in order to leverage the benefits of its nationally recognised status.

Future Science City York Priorities

We support Science City York's intention to build on its national 'Science City' status over the coming months. Regionally, links will be developed between Science City York and other Key Cities within Yorkshire to foster collaboration in key clusters and innovation. The implementation of an enhanced four-year programme of £2.8 million investment in Science City York will contribute to the strengthening of the local economy. The investment programme will extend the technology focus of cluster services within York and key parts of North Yorkshire; develop community and skills initiatives to support the local workforce; and create further jobs and new businesses. The proposed expansion of the University of York onto the Heslington East site is key to the development of Science City York. This project is likely to create a further 2000 jobs at the University and an additional 2500 jobs indirectly across the city.

Freedoms and Flexibilities Requested from Government

We support Science City York's (SCY) recent submission to the Treasury which requests five national policy changes which would significantly assist SCY in building on its economic success:

- ▶ To review and test other relevant national policies against Science City needs.

- ▶ A bespoke national single pot for Science Cities.
- ▶ Supporting fast track planning for science and innovation investment.
- ▶ Localised tax concessions for R&D investment in Science Cities.
- ▶ Enterprise Zone style status for investment in property specifically for technology/science-based businesses.



Tourism – The Visitor Economy

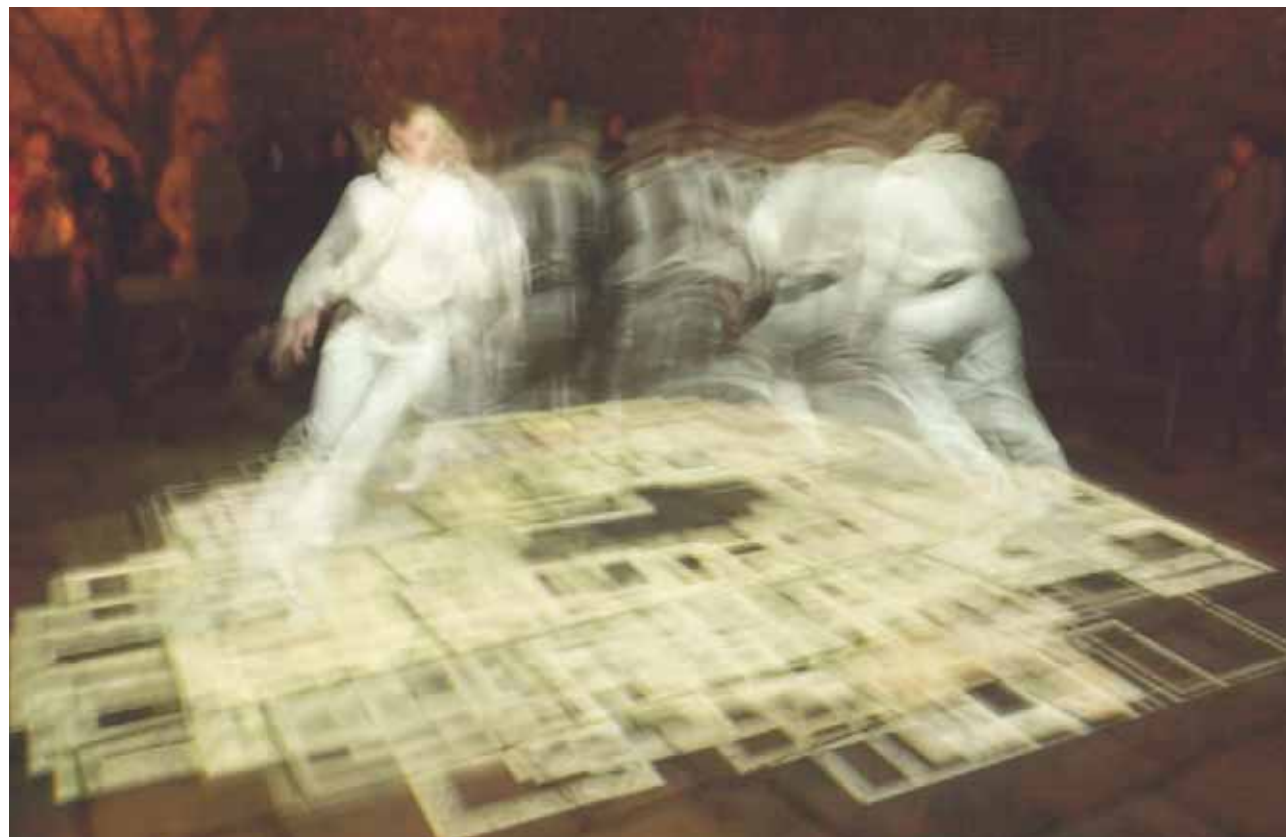
As one of the UK's top national and international tourism destinations, York's tourism and hospitality sector is vital to the local economy and currently employs over 9000 people. It provides jobs of different kinds, from unskilled entry level, to those requiring high levels of education, knowledge and skill. If opportunities are addressed, it has the capacity to add significant value to the future economy both locally and regionally. York is the major international destination within the region; the region's most recognised tourism 'brand' and the city acts as a 'tourism gateway' for Yorkshire and the Humber. In recent years York's tourism industry has brought increased spend per head against a level visitor base. Historically tourism was based upon the historic and heritage aspects of the city, but increasingly the retail offer, nightlife and conferencing have attracted visitors. Here is a very credible basis for extending the visitor offer, and increasing visitor spend still further.

However, tourism is an extremely competitive business. Other cities across Britain and Europe are developing and adding to their attractions and visitor offer. We note that other competitor cities in the north have access to significant Government regeneration funding which is not available to York. As a consequence the city is not developing its visitor offer to the extent needed to sustain its market position. We believe York should continue to build its

tourism market in parallel with the rest of its economy. The development of better access to an airport is key to developing York's national and international competitiveness in the tourism sector (see recommendation In12). If York is to see its market position maintained, and we regard this as essential to the health of the economy overall, then innovation and investment to enhance the visitor offer is required. City of York Council should give priority to improving the quality of the public realm across the historic city, including paving, lighting, signage and public spaces. A higher quality of interpretation is necessary if visitors are to experience the full quality and range of the heritage offer. Significant new attractions are needed to refresh the offer and retain York's competitive position. Quality improvements to accommodation and hospitality venues are needed to attract discerning higher spending visitors. In addition appropriate conference venues are required to build the business tourism offer.

In our view City of York Council should firmly assert York's role as the region's flagship tourism centre, as the 'Gateway' to Yorkshire and as a top league European city destination. York's tourism industry can, and should, consistently exceed Yorkshire Forward's 5% per annum tourism spend growth rate.

These changes will only be achieved if there is effective and sustained co-operation between the public and private sectors. We welcome the moves towards creating a more



purposeful and co-ordinated tourism partnership for the city. The city needs a single tourism partnership organisation.

E4: We recommend that City of York Council strengthen its tourism partnership, by having a single tourism partnership organisation, working with the private sector to deliver growth in tourism spend which exceeds Yorkshire Forward's 5% per annum target for the city. The partnership should adopt a plan which aims to deliver

transformational enhancements to York's visitor attractions; improvements to accommodation and hospitality provision within the city; and to the quality of the public realm, in order to attract higher added value in the tourism sector, and strengthen the city's function as a tourism gateway to the region. This is likely to require a creative approach to securing the necessary funding which involves both the public and private sector, and the lobbying of government for financial assistance.

Manufacturing

Whilst we accept that the trend for job losses from long-established manufacturing businesses within the city will continue, we do not accept that terminal decline is inevitable. Most businesses are competing with lower cost producers across the globe. Nevertheless through investment, particularly in new technologies and processes, and in innovative products, long established businesses can remain competitive and retain activity and employment within the city. The environment in which they operate can be critical to decisions about investment and commitment. The city council should be in constant discussion with businesses, individually and collectively, to understand the local conditions, and the impact of council decisions, and where possible assist in the resolution of problems. We need to create a positive environment in which business can flourish. It is also important that businesses work with Science City York and other business support networks to develop their opportunities for technological innovation and investment.

E5: We recommend that City of York Council work closely with key business sectors, particularly manufacturing and financial services, to better understand their needs; to create appropriate conditions both for their continuing success within the city; and to foster future growth opportunities.

Inward Investment

We feel that it is essential that City of York Council 'create the conditions' to attract private investment. There is the need for a clear understanding of the factors which make the city attractive for foreign and domestic direct investment.

E6: We recommend that the council conduct an analysis of the primary factors which both attract and dissuade companies from choosing York as a business location.

We have recommended that the city builds upon its strengths and promotes itself as a location for foreign direct investment in research and development led activities. We heard from Yorkshire Forward that the following range of activities would support this (see Appendix 1, Section 1.5):

- ▶ Link inward investment marketing clearly into the city's offering and play on York's core sectoral strengths (ensure UK Trade & Industry's [UKTI] policy imperative to attract research and development [R&D] projects clearly positions York at the heart of it's national offering and the shift to representation in emerging markets).
- ▶ Flowing from the above, exploit and develop York's brand awareness in emerging markets as part of UKTI ramping up emerging markets representation. Science City is a clear opportunity here, which has the ability to act as a bridge in brokering and developing trade opportunities in key markets.

- ▶ Exploit secondary inward investment opportunities, particularly from London, and exploit comparative cost advantage.
- ▶ Link inward investment activity into new and emerging regional responses and clearly link foreign direct investment (FDI) and trade promotion into proactive lead generation (for instance trade chain mapping and marketing).
- ▶ Link the sites and regeneration potential in York consciously to the needs of core FDI markets.

E7: We recommend that City of York Council work closely with Yorkshire Forward and Science City York to develop an effective inward investment programme to support its aspirations.



Innovation and Entrepreneurship

We received overwhelming evidence to support the view that innovation and entrepreneurship are strategically vital for competitive city economies. In order to develop its competitive edge regionally, nationally and internationally, York needs to become much more entrepreneurial and business-friendly. The Regional Economic Strategy (RES) Innovation target challenges the region to more than double business R&D expenditure by 2015. Recent evidence suggests that York businesses actually spend three times as much on R&D activity per head than the regional average (£229.35 per head compared to £76.26). However, if the regional Innovation target is applied to York, based purely on the proportion of the region's businesses operating in York (4%), business R&D expenditure from York firms would be targeted to be at least £40 million per year by 2015. The importance of creativity and innovation to competitiveness in York is demonstrated by the higher percentage of firms that regard this as a contributing factor (39.7% of firms in York compared to 31.6% in the UK).

We acknowledge that enterprise (the drive of individuals to create and grow new businesses) has a critical role to play in the development of a dynamic and flexible economy. Enterprise can also play an important role in generating employment and contributing to economic regeneration

and social cohesion. For these reasons, we feel that start-up business is critical to the city's future. It is important that skills to support entrepreneurialism and innovation are developed among the local workforce (see Chapter 3).

We recognise the quality of specialised business support mechanisms provided through Science City York and support their continuing development. We recommend that City of York Council extend its 'can do' attitude towards Science City to other business sectors within the local economy. We also support the council in developing an Eco Business Centre, which is intended to become a state-of-the-art seedbed for small business development. York Eco Business Centre is a facility to support business formation and growth in the city and to both emphasise its energy-saving characteristics and the council's commitment, together with the Eco Depot, towards buildings and design across the city which minimise energy use and their carbon footprint upon the local environment. In addition, we recommend that City of York Council engage in early discussions with the tenderer currently re-evaluating services delivered by Business Link to ensure York's needs are recognised. The city needs to ensure that mechanisms to increase business start-up capability continue to be provided to the best possible standard



York in its Region

York aspires to be a city realising its full potential, recognised internationally and playing its full role nationally, regionally and locally. We heard that in terms of competitiveness, on the whole Britain is less successful than Europe, which is less successful in comparison to worldwide cities. York has been identified as one of five 'Key Cities' that act as important economic drivers for the regional economy as a whole. This reinforces the fact that York is part of a larger economy, with a positive contribution to make. The Regional Economic Strategy for Yorkshire and the Humber stresses the importance of developing York's strengths as an economic driver, including utilising the city's technological assets (chiefly through Science City York) and capitalising on York's success as a tourist destination.

City Regions are widely viewed as drivers for improved national and regional economic competitiveness. York is included within the Leeds City Region and an economic symbiosis is apparent between the two urban areas. York has 7.4% of the Full-Time Equivalent employment of the Leeds City Region, with a significant proportion of its workforce employed in the education, hotels and catering, public administration, retailing, and transport sectors. Significant growth is expected between 2005 and 2015 in business services, health and transport. This is significant in terms of how and from where the city attracts its workforce, and the

required skills, both now and for the future. We recognise that the economy of York is integrated into the economy of the sub-region and region. Its success contributes significantly to the success of the regional economy, but is also dependent upon decisions taken outside the city. York needs to look across its boundaries and engage in more joint working, as the city is currently very insular. We feel that the opportunities offered by the Leeds City Region, in particular, could be used to better effect.

E8: We recommend that City of York Council engage fully with the Leeds City Region and play an active leadership role in its development. We recommend that City of York Council be pro-active in shaping both regional and city-regional agendas, and argue for the investment priorities that will help shape York's long-term economic future.



¹¹ HM Treasury (2004) 'Productivity in the UK 5'.

¹² The 2006 EC Innovation scoreboard placed Yorkshire and the Humber 72nd out of 208 current EU regions: only the South East and Eastern region in the UK were placed in the top 20.

¹³ According to the 'York and North Yorkshire Strategic Economic Assessment' (YNYPU, 2006), York is an important driver of the sub-regional economy and contributed to almost 30% of total North Yorkshire GVA in 2003 (some £3390 million, or 5% of the regional total). This compares to a population size equivalent to 3.6% of the regional total.

¹⁴ The priorities of the 'Regional Economic Strategy for Yorkshire and the Humber (2006-2015)' are as follows: 1) More Businesses that Last; 2) Competitive Business; 3) Skilled People Benefiting Business; 4) Connecting People to Good Jobs; 5) Transport, Infrastructure and Environment; 6) Stronger Cities, Towns and Rural Communities.

Business and Trade Support

Data gathered by Yorkshire Forward suggests that overseas trade in York is below the regional average and the city is losing out on potential benefits of foreign exposure. Over the last twelve months, 5% of firms in York have reported an increase in export orders (compared to an average of 12% across the region), and 23% have reported a decrease (compared to 8% across the region). Over the next twelve months firms in York are not expecting the same level of decline in export trade as they experienced in 2005/06. However, less than 5% expect an increase compared to an average of 15% across the region. Global growth in 2007 and 2008 is likely to be around 5%, with the World Bank estimating growth in the emerging markets of 7%+ (in the BRICS



Source: Leeds City Region Development Programme

economies – Brazil, Russia, India, China and Singapore). Given the falling proportion of export sales in York (relative to other parts of Yorkshire) in these key markets this is a current risk but a significant opportunity going forward.

E9: We recommend that City of York Council develop appropriate mechanisms to support local businesses in engaging in overseas trade and capitalising on York's internationally recognised brand name.

We received evidence that among businesses in York, regulation and red tape is by far the most popularly cited factor inhibiting growth. Other common issues include costs, shortages of financial resource, and inadequate support from Government.

Cost Perception

Evidence presented by Yorkshire Forward has revealed that salaries in York are broadly around the regional average, but lower than both national and industry averages in most cases.¹⁵ However, the perception of high labour costs may act as a deterrent both to inward investors and local entrepreneurs in establishing new businesses in the city.

E10: We recommend that City of York Council deliver a programme to challenge the perception of high unit labour costs in York.

¹⁵ See Annex 1, Section 2:4.

Skills & Inclusion

Introduction

We received written and verbal evidence from a number of organisations, including the York and North Yorkshire Learning and Skills Council, the North Yorkshire Business and Education Partnership, and Learning City York (the city's Lifelong Learning Partnership). We are grateful for their contributions, and impressed by their understanding of the education, skills, and training issues within the city and sub-region. We also had the benefit of hearing from Group members on their experience as employers and educators.

We recognise that York has the potential to create a world class workforce in partnership with employers and to punch above its weight in the knowledge economy. If this vision is to be achieved, stakeholders across the city must work together and be ambitious in their plans to develop and renew the skills of local people. We recognise that high quality educational provision and a ready workforce are required to successfully attract inward investment. For York to ensure its future success in the

"Today...with at least two years of college...[an individual] can expect to change jobs at least eleven times in the course of working, and change his or her skill base at least three times during those forty years of labour" (Richard Sennett)

"At least 60% of the jobs that will be available in 2020 do not yet exist" (Various)

global market place, partners need to work together to create a culture which embeds training and skills development alongside enterprise and science awareness within local communities.

We saw evidence that York currently has a relatively strong skills profile, with high levels of attainment and a high percentage of high level skills. However, significant numbers of adult residents in the city have low level skills and low levels of literacy and numeracy. We have also received evidence from employers that the city suffers from significant skills gaps, which will continue to widen if not addressed through a comprehensive strategic response. We acknowledge that in order to remain



competitive, employers will increasingly demand higher level skills.

We heard that employers in York often experience difficulty in recruiting employees with an appropriate skills profile. In some cases, this had led to jobs being withdrawn from the city. Evidence received from a number of stakeholders leads us to conclude that if new and existing employment opportunities are to be accessed by the city's residents, economic development initiatives must be underpinned by policies and strategies which address workforce skills and inclusion issues.

Addressing Skills Shortages

We heard from Yorkshire Forward that York's skills mix is currently among the best in the Yorkshire and Humber region. However, we also received evidence from the Learning and Skills Council, North Yorkshire Business and Education Partnership (NYBEP), and Yorkshire Forward which suggests that though York's economy is robust, it is affected by a high incidence of skills deficiencies. York performs at above both the regional and national averages across NVQ Level 1, 2, 3, and 4 qualifications. However, whilst York has a relatively highly qualified workforce, high levels of employment and median weekly pay that is above both the regional and UK averages, 11.7% of the working age population have no formal qualifications¹⁶, 23% experience numeracy and literacy problems, and there

are pockets of low level skills and qualifications, as well as skills gaps by industry sector. Strong national evidence links increased productivity and 'up-skilling', so if York is to remain competitive, the city needs to ensure the continuous improvement of its skills profile. In order to fill the higher skilled occupations that are forecast to increase in the future, the city will need to focus on raising the qualifications of its young people, continuing to attract graduates and ensuring accessibility for commuters from areas outside of York. Forecasting by Yorkshire Forward suggests that by 2016, York will deliver the rate of growth across the skills spectrum called for in the Regional Economic Strategy¹⁷. The cumulative effect of incrementally increasing York's higher level skills mix (relative to lower level skills) would deliver a robust improvement in productivity per worker and a significant improvement to average annual GVA growth.

According to the 2005 'National Employer Skills Survey', a skills gap is defined as existing where, in the opinion of the employer, an employee is not fully proficient at their job. Nationally approximately one in six (16%) of employers are experiencing skills gaps. However, Yorkshire and the Humber has the worst figure of any region at 23%. Within York and North Yorkshire, the figure stands at 21%. Vacancy rates amongst York's employers have risen more quickly than regionally or nationally, which includes skills

shortage vacancies (i.e. where applicants did not have the required skills, experience or qualifications).

S1: We recommend that City of York Council work with business and other key partners, and support the work of Learning City York, in analysing the city's skills needs and the spatial mismatches between labour demand and supply. This will enable more specific targeted policy responses to be developed.

We have seen evidence that York's Local Education Authority has consistently performed better than the England average for attainment at GCSE, and currently ranks 31st out of 149 LEAs nationally for achievement of five or more GCSEs at grades A*-C. Since 1998/99 the district has increased attainment of 5+ GCSEs at A*-C from 51.5% to 61.9%. In comparison, the England average currently stands at 57% for LEA maintained schools and 59% for all schools. York, North Yorkshire and East Riding LEAs top the regional rankings in terms of GCSE attainment, but the gap is now closing with other LEAs in the region (especially West Yorkshire), and year-on-year improvement is beginning to plateau. If our aspirations for York are to be achieved it will

¹⁶ This figure is below the regional average (15.8%) and the national average (14.3%).

¹⁷ "Raise the percentage of people with NVQ Level 2 or equivalent or higher to 80% (from 70% in 2004) and the proportion within this total with Level 4+ from 37% in 2004 to 45%."

be necessary to ensure that the city continues to perform well above the average in producing well educated, employable young people, able to contribute to the key growth sector businesses. We note that, despite strong performance among the majority of schools in York at GCSE, attention needs to be paid to low attainment levels in particular wards, including Acomb, Clifton and Heworth. Between them, under-performing schools in these wards contain approximately 25% of Key Stage 4 pupils in the city.

We received evidence from the Learning and Skills Council and North Yorkshire Business and Education Partnership, that young people entering the labour market frequently lack the skills and attitudes required by employers, which affects productivity. Skills gaps include customer care, team-working, oral communication and problem-solving. Employers on the Group endorsed these views. We heard that colleges and schools recognised the need for such 'employability skills' and that many aspects of the curriculum are currently under review, with employers' views being taken into account. We also heard that new diplomas may enhance the choices available at 14-19 as they begin to come 'on-stream'.

Local businesses would also like to see an improvement in the supply of management skills, written communication skills, literacy and numeracy, administrative skills, IT skills, and foreign language skills. Peculiarly to

York, more firms than average cite 'creativity and innovation' as a key factor in their competitiveness.

It is essential that all of the city's residents are given the opportunity to develop basic employability skills. We encourage schools, colleges, NYBEP, the LSC and Learning City York to work together to develop this guarantee. We recommend that, given the importance of creativity, enterprise and innovation to York's economic success,

What York employers want



partners should work together to ensure these skills are developed among young people. In addition, we recommend that education providers involve local employers in promoting the qualities sought by employers to young people. Employers should be encouraged to participate in these activities.

We look forward to the implementation of York's Adult Learning & Skills Strategy 2007-10 (see Appendix 2), which is currently being developed through Learning City York. This strategy aims to ensure a closer integration of skills with local economic need; greater employer involvement in the city's approach to skills; and enhanced partnership working to address skills and inclusion issues across the city.

York has excellent educational provision through which to re-train and re-skill its work force in order to meet new economic demands. York has the significant benefit of high quality Further Education infrastructure at Askham Bryan College and York College following substantial investment in Centres of Vocational Excellence. This will be further enhanced upon completion of the £multi-million new build at York College in September 2007, resulting in local access to world-class facilities for skills provision spanning all industry sectors. We have a university ranked within the top ten in the country and need to ensure we retain a higher proportion of graduates into the workforce in order to fill the high level jobs

being created as York expands its contribution to the knowledge economy.

S3: We recommend that the scale and impact of Further and Higher Education in the city be increased, ensuring that the expansion and diversification of learning opportunities are central to increasing economic activity and broadening cultural life.

It is important that a large number of people are trained to technician level (NVQ Level 3) to support the development of the knowledge-led economy. Higher level skills will be needed in the future to match the city's changing economic and employment structure and to ensure York remains competitive. We heard from invited speakers and Group members that there is a need to improve York's current supply of technical skills. A 2003 report found that all three Science City York clusters (i.e. Bioscience York, Creative York, and IT & Digital York) experience skills gaps. 51% of Science City businesses identified difficulties in recruiting technicians, senior and specialist staff, with employers tending to recruit outside of York for such positions. Specific skills gaps highlighted by the Science City report included advanced IT (47%), people management (44%), and business and commercial development (41%).

S4: We recommend that City of York Council support the work of Learning City York, and work with partners, including

employers at Science City York to increase the proportion of the workforce with technical skills. We also recommend that more opportunities be developed for graduate placements with relevant employers, to facilitate a greater number of opportunities for both employers and graduates to transfer knowledge and skills.

Current levels of self-employment in York (8.9%) are below the UK (12.7%) and regional averages (11.2%). We recognise that the future economy will increasingly require people with

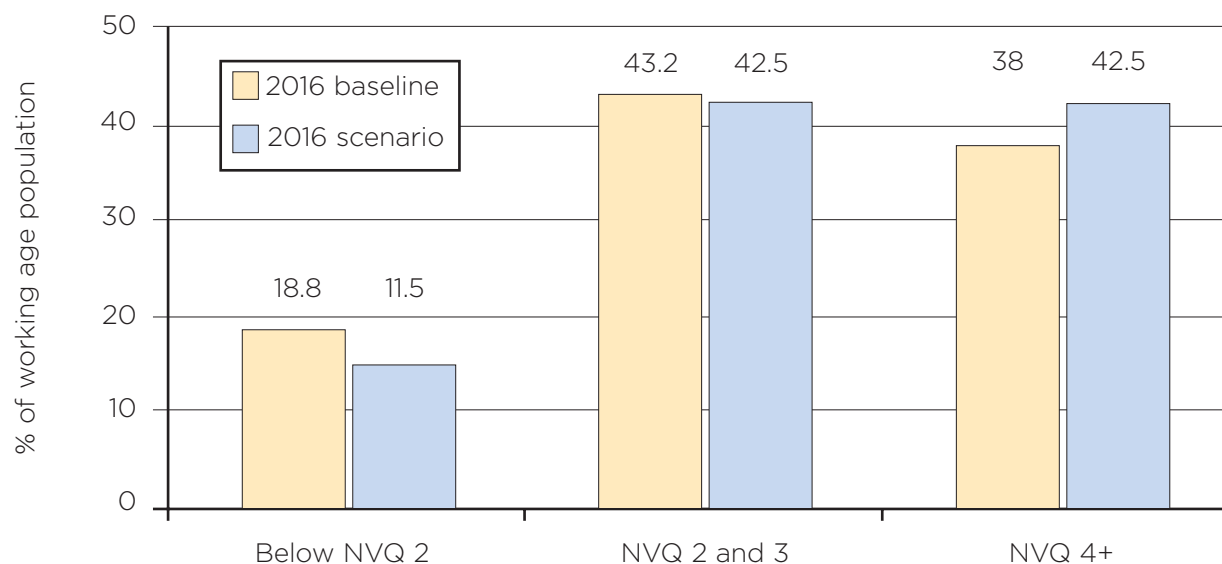
entrepreneurial skills, to work within businesses as well as to create their own.

S5: Innovation and entrepreneurship are vital in sustaining competitive city economies. We recommend that City of York Council and key partners develop a more proactive approach to the development of an entrepreneurial workforce.

We heard that whilst high numbers of employers in York conduct training and have

Modelling the economic contribution of higher level skills in York to 2016

The scenario over baseline would result in an additional 1300 full time equivalent jobs over the next ten years and see York's productivity increase by 2.8%



Source: Yorkshire Forward/Experian Business Strategies Ltd, 'Impact of Changing Skills Profiles in York', (December 2006).

a training plan, significant disengagement remains among some employers in the city regarding skills development and training.

It is imperative that employers, individuals and public sector agencies develop a shared response to the city's skills, development and training needs. The recent Leitch Review on skills in the UK concludes that developing such shared responsibility provides the only plausible manner in which the nation may improve on its competitive skills base, and its international skills ranking. We recommend that City of York Council and Learning City York work together to develop employer engagement in the skills agenda in terms of investment in the training of the workforce; articulating skills gaps and skills needs; and developing new products with providers.

S6: We recommend that in addressing each of the above recommendations, City of York Council engage fully with local businesses.



In undertaking all of the above recommendations it will be essential to look ahead to the skills that will be required for the economy of the future and to ensure that appropriate pathways are developed. Current forecasting reveals that between 2005 and 2015 an additional 3400 FTE jobs are expected to be added to York's economy. 1300 of these are likely to be in the health sector, 1200 in the transport sector and over 1000 in business services. Retailing, hotels and catering are expected to show smaller, but still significant rises. These are anticipated to be offset by further losses in the food and drink sector, construction and smaller losses in public administration and wholesaling. The city needs to be able to change its skills base as the nature of the job market evolves. Employers and trainers need to be involved within this process.

Tackling Inequality and 'Narrowing the Gap'

The City of York has historically been perceived as an attractive place in which to live, with a high quality of life. While this remains true for many of the city's residents, the Index of Multiple Deprivation illustrates that varying levels of deprivation are evident. General trends seen at ward level include 'pockets' of high levels of incapacity benefit claimants, low qualification levels, and 'relative deprivation'. In order for the city to reach its economic potential, specific deprivation issues need to be addressed alongside skills and educational development.

Although York has the lowest level of deprivation of cities in the north and west, seven Super Output Areas (SOAs) within the city fall within the most deprived areas in England in terms of education, skills and training. These areas are found within the urban area of York in the following wards: Westfield (3 SOAs), Hull Road (1 SOA), Clifton (2 SOAs) and Acomb (1 SOA).

In contrast to the widely held view of York as an affluent area, research reveals that one in five of the city's residents are classed as living in poverty (using the 'Breadline Britain' measure of lacking three or more socially perceived necessities). B. Seebohm Rowntree's pioneering study 'Poverty: A Study of Town Life in 1899' (London: The Macmillan Co, 1901) drew similar conclusions,

which reveals that little progress has been made on this issue over the last century.¹⁹ The 21st century challenge to York as an historic city is how economic success and social progress that recognises the needs of all people may be achieved, alongside protection of the existing built and natural environment.

In York, 16.1% of households with children are classed as households with child poverty (compared to a regional average of 22.4% and a national average of 19.1%). Analysis of the 'Income Deprivation Affecting Children Index' outlines that there are 6 SOAs in York which are in the bottom 10% of SOAs nationally. They are situated in the wards of Acomb, Clifton, Fishergate, Heworth and Hull Road. However, York also has 16 SOAs in the best 10% nationally for this index, which highlights York's economic diversity. By 2030, it is forecast that York's ethnic diversity will increase by 71% (from 6757 to 11548). Most of this will be in the Chinese/Other (mainly Eastern European) groups.

Recent statistics from the Home Office Migrant Worker Registration Scheme suggest that of all the recent migrant workers from Eastern Europe, there were 745 that were registered as living in York between May 2004 and September 2006. Of these, 533 were of Polish origin. Evidence suggests that to date, migrant workers in the city have taken lower-paid, lower-skilled work. This is supporting the occupational

growth of elementary clerical/service occupations and caring occupations.

The high employment and low unemployment levels within the city in recent years demonstrate that, despite the significant structural changes within the economy, workers displaced from employment have been able to find alternative jobs within the local labour market. The evidence we received from those actively involved in placing redundant workers in new employment was that people with administrative, financial, customer care,



and higher-level skills quickly found alternative employment. The group of workers experiencing greatest difficulty were those employed in process and production occupations, many of which were historically relatively well paid. Many of these had longer periods of unemployment, travelled further to find similar work, or accepted jobs with significantly lower wages and poorer conditions than they had previously experienced.

We accept that further reductions in these types of employment are likely, even with the additional support for manufacturing businesses which we propose elsewhere. There is, therefore, the need for specific action by public sector labour market agencies, requiring the co-operation of employers, to offer appropriate re-training and recruitment support to these workers, if they are to be enabled to take advantage of the new opportunities as they become available.

Unless specific action is taken, people from disadvantaged backgrounds will not experience the benefits of York's economic growth potential. We recognise that the city must ensure effective engagement is developed with people living in disadvantaged hard to reach communities. If a strategy to address this issue is not developed, the gap between the city's rich

¹⁹ B. Seebohm Rowntree's study sought to define the necessities of life by estimating the income of all households and comparing the figures against a poverty line intended to capture the "minimum necessities for the maintenance of mere physical efficiency." Applying this severe criterion, Rowntree found that 9.9% of the population of York were in primary poverty and that a further 3.2% were near the line. The most immediate cause of poverty was that the chief wage-earner was in "regular work, but at wages insufficient to maintain a moderate family in a state of physical efficiency" (B. Seebohm Rowntree [1901] 'Poverty: A Study of Town Life in 1899' London: The Macmillan Co).

and poor will continue to widen. The creation of new employment opportunities needs to be utilised to 'narrow the gap' by ensuring that residents from areas of deprivation are able to benefit.

Skills development is a complex part of the economic agenda. It is important to ensure that socio-economic inclusion is developed via educational and training opportunities, to ensure York does not play host to a two-speed skills economy. There is a growing social divide and this needs to be addressed as a priority.

It is important to ensure that an inclusive skills strategy is implemented which meets the range of business needs whilst also working to 'narrow the gap' between the socially excluded and affluent residents in the city. Part of this work will involve raising aspirations and connecting learning to economic opportunity, as well as providing clearer guidance regarding progression pathways among the city's most deprived communities. Pockets of deprivation exist in particular wards, with cycles of low aspiration amongst families affecting both young people and adults. Many are not well placed to be part of York's changing economy. The skills agenda needs to address social inclusion (including e.g. lone parents and older workers), with specific support needed for some individuals and families to access skills and employment opportunities. A strategic approach should be developed which links this agenda to the hard-to-fill

vacancies which are being reported across the city. High quality advice and guidance linked to economic initiatives such as Science City York is also required. The circumstances and needs of unemployed people are extremely diverse, as are their capabilities and motivations. Consequently, employability services need to be responsive and personalised rather than standardised and routine in approach.



Design and communications agency Stone Soup at their York offices

A new enthusiasm for learning needs to be developed across the city, with widened participation, and rising attainment and skills levels amongst individuals and employers. Barriers to progression need to be broken down, in particular for those seeking to return to work, to enter work, or seeking progression from lower level jobs. The development of seamless partnership working around Information, Advice and Guidance Services would underpin much of this work. Organisations across the

health/social care/housing and employment/training sectors need to work together to provide a joined-up service for clients.

S7: We recommend that City of York Council work with key partners and relevant stakeholders to ensure that the disparity in incomes within the city does not widen as the economy expands. Positive action must be taken to ensure that as many residents and employees as possible can benefit from new economic opportunities.

S8: We recommend that City of York Council consider the application of a local employment provision clause to major developments where appropriate. This would ensure that residents from deprived communities gain access to employment opportunities.

S9: We recommend that City of York Council, in collaboration with relevant partners and other stakeholders, develop a targeted strategic response to economic inclusion in the city's most deprived areas. This should maximise the contribution of learning to social cohesion, local regeneration and economic growth.

Barriers to Employment

We received evidence from Future Prospects that the top five primary barriers to learning and work in the city are: disability (18%); English as a second language (15%); no relevant qualifications (11%); loss of job (9%); and returning to work (9%). These factors account for 62% of the total. It is also useful to consider the secondary barriers expressed by Future Prospects clients, in order to gain an understanding of the multiple issues experienced by individuals. The top five secondary barriers (accounting for 69% of the total) are: outdated skills (21%); basic skills (17%); no relevant qualifications (17%); returning to work (8%); and lone parent (6%).

In March 2006, there were 4000 economically inactive residents within the city who wanted a job (3.5%). 17600 (15.5%) of residents were economically inactive and did not want a job. In June 2006, 5.2% of 16-18 year olds in York were not involved in employment, education or training (NEET), which is below the national and regional averages, but above the sub-regional average. It is important that the city continues to address the NEET group of school leavers as they have a negative impact on the local economy and public expenditure.

In addressing these issues it is important to focus on success in the labour market and job take up. The focus of government targets to date has been learning hours and

qualifications, which overlooks the need to develop basic employability skills, build self-esteem, introduce people to work (including overcoming 'socialisation' issues such as learning to get up in the morning), and develop retention, ahead of developing engagement in formal education and training programmes. The barriers to learning and employment (as outlined above) should provide the focus of this work, alongside raising aspirations among residents in deprived communities. The local authority should work to improve engagement with workless residents. Analysis of the composition of the workless population and the issues faced by different demographic groups (including Incapacity Benefit claimants, older people, BME communities, lone parents, younger workers, the homeless, the mentally ill, those with a physical disability and those recently rehabilitated from drug/alcohol addictions) is vital. The UK Government has recently expressed its determination to tackle worklessness in cities and to raise their employment rate towards the national target of 80%.

S10: We recommend that the local authority work with its partners to respond to the needs of individuals, families, communities and employers in addressing worklessness and social exclusion.

Better Understanding of Opportunities for Displaced Employees

We need to fully understand the implications of the recent job losses from established local businesses including British Sugar, Nestlé, and Norwich Union, which provided the impetus for this Group to be established. The development of mechanisms to assemble and analyse this data would also be useful for potential future scenarios.

An analysis is required that reveals whether former employees have found new employment, and, if so, the type of jobs they have moved on to. It is important that the council understands whether those affected had the necessary skills to access new employment opportunities at an equivalent or higher level, and whether those in need of assistance were offered the necessary support to re-skill. Mechanisms need to be developed which enable the city council to track the dynamics of the job market both in relation to this situation and for the future. This would greatly assist the development of strategic interventions and support services.

S11: We recommend that City of York Council conduct an analysis of the destinations of employees made redundant from British Sugar, Nestlé and Norwich union in 2006. We urge the employers involved to co-operate in this study in the interests of creating better support mechanisms for local workers.

Freedoms and Flexibilities Requested from Central Government

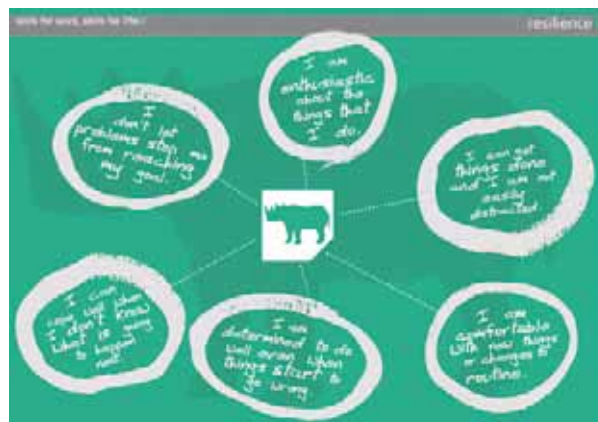
The evidence we received from the agencies working to improve employment opportunities for disadvantaged people was that more flexible interpretation of current policies and guidelines would be beneficial. In particular, if granted by central government, the following freedoms and flexibilities would be helpful in addressing skills and inclusion issues:

- ▮ Flexibility regarding the application of the 16-hour rule to Job Seekers' Allowance, as this often acts as a disincentive to claimants to enter full-time work.
- ▮ Government targets (and consequently funding) regarding Level 2 qualifications focus on first-time diplomas. However, a significant proportion of the workforce would benefit from updating their skills or re-training in order to gain access to other professions.

S12: We recommend that City of York Council make representations to Central Government for the application of greater freedoms and flexibilities in implementing support programmes to bring people into employment.

Conclusion

It is essential that City of York Council work with employers to ensure that appropriate skills and competencies are developed to meet the needs of actual jobs. Tackling the underlying causes of deprivation and the skills gaps experienced by employers across the city is key to York's future economic success. The benefits of the York's growth strategy need to be shared as widely as possible in order to avoid becoming a city with an economic underclass.



Infrastructure & Challenges to Change

Planning and Property

We have considered the evidence on the state of the local economy and how it has changed over recent years. We also looked at a number of 'challenges' to change. We were particularly interested in whether planning or property issues, such as the adequate provision of sites and premises, or the role of the council as a planning authority, were acting as a barrier to economic development.

We considered background papers from City of York Council on these matters (See Appendix 2). We also considered opinions on planning and property issues in York from a planning consultant who lives and works in the York area, in addition to a local property developer. Members of the Group also had significant experience of undertaking development, and of operating businesses within the city which had been affected by these issues.

From this we have come to a number of key conclusions. The York economy has grown significantly and diversified over the last twenty years and has the impetus and capacity to expand further. There have, however, been some significant barriers to some types of growth and change, which remain in place, including some relating to planning and property issues. The absence of

an approved planning framework has been a deterrent to investment, although we recognise that the council has actively supported economic growth and diversification through its economic development function; through inward investment; through specific policies and allocations in the draft Local Plan, through its Community Strategy; and in determining planning applications.



Development Plan

Evidence presented to the Group confirmed that, over many years, the lack of a statutorily adopted development plan for York has created uncertainty, and increases risk for the developer, including that of major planning applications being 'called in' for determination at lengthy and costly public inquiries (see Appendix 2). The Development Control Local Plan clearly expresses the council's support and intentions for economic development but holds little weight because of its statutorily 'un-adopted' nature. Work on the Local Development Framework has started but it needs to be adopted as soon as possible to give a clear and strong planning framework to support the economic development aspirations of the city, and for the housing and transport infrastructure required to support this. We understand that the current timetable would see the approval of the Core Strategy in early 2010, and of the detailed allocations later in 2010.

We recognise that the planning system has changed; that City of York Council is committed to delivering an effective Local Development Framework; and that the timetable for this is largely determined by statutory regulation. We recognise the importance of a strong and robust evidence base for the plan. Nevertheless, we are greatly concerned at the length of time it will take to ensure before an approved plan is in place. In view of the history of planning within the city

and the need for a planning framework to reflect our aspirations for the city, we urge City of York Council to do all that is necessary to ensure the earliest possible approval of the Local Development Framework. We believe that development opportunities may well be missed if the plan is not in place by 2009. We ask City of York Council to provide the additional resources required to enable the LDF to be approved at the earliest practicable date. Recommendation In1 requests that City of York Council invest additional resources to bring forward the adoption of the Local Development Framework to 2009 (a reduction of approximately 1 year in the current timescale).

The very conservative figures on employment growth and employment land, as set out in draft Regional Spatial Strategy (RSS), is a serious concern to this group, and we are aware of the link with issues of housing growth allocations. If the figures remain unchallenged they could seriously undermine the economic growth potential of York. We note that City of York Council has challenged these figures at the Public Examination into the draft RSS, and that Yorkshire Forward also submitted revised economic growth projections to the Examination, which closely aligned with the growth projections in the current employment study being carried out by consultants SQW for the council. We believe that this issue is so critical that the council, and its partners, should closely monitor the situation and make further representations if



necessary following submission of the Inspector's report on the draft RSS, and its revision by Government Office for Yorkshire and the Humber.

There is a perception from some developers and property professionals that York does not have ambition and does not really want development and growth. York has been described as both insular and complacent. We heard in evidence that this view is also shared by developers and property professionals who operate outside York. It was recognised that this did not necessarily reflect reality, but nevertheless this 'perception' exists. We strongly believe that the city needs convey a strong message that York is a welcoming place for businesses and investment, and stronger marketing to this effect is required.

Elsewhere in this report, we have stressed elsewhere in this report the need for a strong, consistent and coherent vision for the city. In this context we note that City of York Council is promoting high economic growth, but it is not clear to us that the additional housing to support this is being planned for. This could lead to labour market supply issues which could hamper economic growth. The significant in-commuting required to support projected levels of growth could lead to increased congestion on the outer ring road and key approaches to the city, if not properly planned for with new sustainable transport links. It is also important that the correct mix and type of housing is provided to support all employees within the York labour force. This will require a significant element of affordable housing and family housing, given the large house price and income differentials within the city. Housing of an appropriate type, quality and location is needed to support the city's economic development objectives. The sub-regional nature of the York economy should also be taken into account alongside travel to work areas and the impact of different levels of job and housing growth on York's transport network and levels and patterns of commuting.

We note that the 'joining up' of housing and employment requirements is also being considered through the draft Regional Spatial Strategy, and the Inspector's findings on this matter will be very important. The proposed comprehensive city vision needs to provide a clear framework for a joined-up



approach to employment, transport, housing (with a particular emphasis on affordable housing and private family housing, both of which are currently in short supply in the city), and wider infrastructure provision, which needs also to be reflected in the LDF.

Chapter 2 of this report notes that York is seen as an engine for growth within the region and the Leeds City Region, and is also at the centre of its own sub-area, with its economic hinterland spreading out into neighbouring areas in Selby, Ryedale, and the East Ridings. This is confirmed by travel to work data from the 2001 Census. We agree that York's strategic approach needs to recognise this broader dimension, be outward facing and connect with the economic, housing and transport plans and proposals in these adjoining areas. Successful city,

economic and planning strategies for York will depend not only on joining up issues within the city, but also on working in partnership with surrounding authorities to ensure an integrated approach to integrate with their strategies and proposals.

We accept that a high quality of life is critical to the economic success of the city. We recognise the need to ensure that the special qualities of York are maintained, and that the quality of life offer is improved as part of any economic development strategy. This includes protecting the city's historic character and setting; tackling traffic congestion; providing the right quantity and quality of housing; and ensuring development is led by the principles of high quality urban design, place-shaping and sustainable development principles. We believe this will be a key pillar in a robust approach to economic development. We note that a 'permanent' green belt boundary will need to be set through the LDF and that this is likely to be for the period to 2029. We firmly believe that in setting this boundary for the first time, the development needs of the city need to be accommodated in a way that protects the special character of York and allows for sustainably located development.

We concluded our discussions on planning and land issues by asking, 'Is the planning context the biggest threat to the city's future?' The evidence shows that the York economy has prospered over the last ten years, even in the absence of an adopted

Local Plan. The council has had clear economic development objectives, a supportive Local Plan context and as a planning authority was supportive of the economic development proposals coming forward. However, the lack of an adopted Local Plan has led to costly public inquiries and ongoing uncertainty over some very significant development schemes. It has created a perception among some observers that York does not want, or is complacent about, development. We are concerned that the approach to economic growth, housing and transport may not be sufficiently joined-up. Elsewhere in this report, we clearly state that a credible and broadly supported Vision and strategy are required. We strongly believe that a clear Local Development Framework is also required to help deliver this Vision and strategy. This is a critical element in ensuring that economic development and quality of life objectives are met.

In1: We ask City of York Council to provide the additional resources needed to ensure that the Local Development Framework is adopted by 2009, so that a strong and statutory planning framework is in place to support and guide future economic development, housing and transport infrastructure requirements.

In2: We recommend that City of York Council, as Local Planning Authority, present a supportive approach to economic development proposals, including providing

a 'key contact' for each scheme and taking an integrated 'development team' approach to major proposals.

In3: We urge City of York Council to ensure that the Local Development Framework and its Core Strategy fully reflect the Future York Vision recommended elsewhere in this report.

In4: We ask City of York Council to recognise the need for the employment approach in the Regional Spatial Strategy to be supportive of the city's economic development objectives, particularly in terms of the employment growth projections and land requirements identified. The council and its key partners should make strong representations on this if the Inspector's Report is not supportive of this approach.

In5: We urge City of York Council to work with neighbouring authorities to ensure a supportive and consistent economic development, employment, land, housing and transport strategy is developed across the sub-region and region.

In6: We recommend to City of York Council that sufficient and appropriate housing (particularly affordable and family housing), is allocated in the LDF to support the economic and social development objectives of the city, and be consistent with our economic and employment proposals.

In7: We urge City of York Council to ensure that, in setting the long term Green Belt

boundary for York, the development needs of the city are provided for; recognising the need to protect the special character of York and the need for sustainably located development.

In8: We recommend that the potential of the creative industries should be better exploited to help broaden the York economy, support its tourism and city centre retail role and retain graduates and attract a younger population. We recognise that this requires support for appropriate sites and premises as well as a business support infrastructure.

In9: We urge City of York Council to ensure that all new development is guided by principles of high quality design; and enhances the sense of 'placed'.

Employment Land and Premises

The council allocated a significant amount of employment land in its Local Plan to support the growth of Science City York and other sectors of the economy, and on the advice from economic development consultants SQW took a market-focussed approach to provide quality sites and choice. This included allocation of significant land for Science City York related uses at Heslington East and Monks Cross (see Appendix 2).

We accept that a significant amount of new employment land and premises has been given planning permission and developed over the last fifteen years. Between 1991 and 2006 nearly seventy hectares (or 175 acres) of employment land has been developed (equivalent to nearly five hectares per year), and in March 2006, there were seventeen hectares of unimplemented planning permissions. This has included the development of purpose built offices for financial and professional services, small business space, and premises for Science City York businesses. There have been key developments at Holgate Park (including the new CPP building), Clifton Hospital, Clifton Moor, York Business Park, Monks Cross, and at the Science Park. The last has been fully built-out since development started in 1998, occupies over eight hectares, and provides 2600 square metres of business space for 95 science businesses employing 1500 people. Nevertheless, there are serious weaknesses

in terms of the supply of sites and premises to support economic growth. The view of developers and business people is that York is currently experiencing high demand for property, but that there is a shortage of suitable and available land and premises. For example, the York Science Park is now full and very soon provision will need to be made elsewhere. There is a lack of quality city centre office space to meet known demand and 'out of centre provision' is often seen as second choice by occupiers. We also heard views that York is not providing the market with the purpose-built business parks



it needs. Adequate choice, needs to be provided for potential occupiers and developers. We strongly believe that if our aspirations for the city are to be met, then a more varied supply of available sites and premises will be required, according to a phased programme matching the growth of demand.

The council acknowledged that there is an issue regarding availability of some of the key sites. Of the 75 hectares of land allocated for 'premier' employment uses, only 12 hectares is immediately available. A decision on whether the University expansion and its associated employment space will be granted planning permission is still awaited following a public inquiry in 2006. The major 'premier employment' site at Monks Cross North was refused planning permission following a public inquiry. The major new Central Business District planned for York Central will not see development until 2010 at the earliest. This leaves Monks Cross South (the Vangarde site) as the only immediately available 'premier employment' site, although development at Terry's and Nestlé South, as part of mixed use schemes, should provide additional choice over the next few years.

There is a strong need for key development sites to be brought forward and developed more quickly. The provision of central office space for financial and professional services is essential if the city is to take advantage of its competitive advantages in this sector.

York Central is critical to the city's long-term economic future and needs to be given top priority. It provides a unique opportunity to provide significant amounts of office space within the Central Business District; within a mixed use development; and with the opportunity for sustainable transport links. For these reasons we regard York Central as one of the key projects to create transformational change within the city.

Castle-Piccadilly similarly provides a unique opportunity to significantly expand retail provision within the city. It is clear to us that York needs to improve its retail offer if it is to remain competitive with other centres, including other historic cities, and near competitors Hull and Leeds, both of which have significant improvements to their retail offer are under construction. At present the Castle-Piccadilly site offers the only significant opportunity to provide the type of new retail space that the city requires. The Roger Tym retail study (2004) for City of York Council judged that retail expansion is essential if the city is to remain competitive. There was a view within the Group that Castle Piccadilly could be alternatively developed for offices/professional and financial services, although a high value market leading retailer would be beneficial.

The 'premier' employment sites in the Local Plan are currently allocated primarily for Science City knowledge business activities. We were advised that the market sees this as too limiting, as the restrictive conditions

on the type of businesses that can occupy new units makes them unattractive to investors and developers, who want to build high quality office space which is not restricted to knowledge-led business users.

In Chapter 2 we fully endorse Science City York (SCY) as a key driver for growth within the economy. We are keen to ensure adequate provision of sites and premises to provide sufficient and appropriate space for any knowledge-led business seeking to establish or expand within York. However, we also recognise continuing demand for land and premises from other types of business, including existing local businesses, and understand that if this is not met, the city may incur a loss of jobs. As far as possible, wish to see land made available for this wider variety of need, to ensure a balance within the city economy.

We also noted that the potential of the creative industries is not properly exploited. Although this is partly supported under the Science City York banner, the full range of creative industries, (including traditional crafts and artisan products) is not covered. There is currently a lack of sites and premises for such uses in the city. Experience elsewhere suggests that if York is to project itself as a modern and dynamic city, it needs to put more focus on creative industries alongside its 'science' focus. This would sit very well with its international tourism role. The city centre provides an international shop window for the sale of 'creative

industry' products and they, in turn, would help to add to the breadth and distinctiveness of York's retail and cultural offer. Encouragement of the creative industries could help with the retention of graduates, attraction of younger people and help to project a different image of the city. We note that this approach has proven very successful in other cities, such as Sheffield.

We understand that City of York Council is currently undertaking a review of employment land availability. It is clear to us



that having a supportive planning authority and the provision of a suitable range and type of available land and premises is critical to the economic growth of the city. This includes having a good range of sites and premises that are immediately available. We recommend that, in concert with landowners and developers, City of York Council develop a programme to bring forward land and premises of appropriate types in a phased programme consistent with developing demand.

We believe that this programme would be assisted by more regular consultation with the development industry. We recognise that significant consultation has taken place as part of the Local Plan preparation, but perception is a critical issue and York needs to make clear that it is actively supportive of new development and investment in the city. Giving developers and investors a 'forum' to help influence policy, strategy and air views will be critical in building up better lines of communication between the council and the business and investment communities.

In10: We recommend that City of York Council ensure a sufficient amount and quality of employment land is allocated in the Local Development Framework to provide choice, and to support the city's economic development aspirations. This should be informed by up-to-date reviews of supply and demand; should support the 'transformational' economic agenda for York set out elsewhere in this report; and

should reflect the needs of all business sectors.

In11: We recommend that City of York Council develop a managed programme to bring forward the supply of employment land and premises of varied kinds, consistent with developing demand. We recommend that this would be facilitated by continuing and regular consultation with the development community.



Transport

We recognise the importance of an effective transport system on the success of the economy and have heard that the movement of people and goods is critical to business if it is to compete with regional, national and, increasingly, international markets. We also understand that a successful economy, in turn, puts pressure onto the transport infrastructure and that in York, where the road layout in the city's historic core has changed little over the centuries, this presents its own unique problems.

We recognise that despite these highway restrictions, York has been classed as 'Excellent' by the Department of Transport for its transport policy. City of York Council has developed a significant reputation for providing an innovative and sustainable approach to transport planning and improvement. However, the Group feel it is now evident that if York's economy is to continue to be successful and the city is to remain attractive, not only as a tourist destination, but also for those businesses already located here, and for future investors, fundamental improvements to its highway network outside the historic core of the city are essential.

We have seen evidence that York's economic importance is not only vital for the local economy but also for the contribution it makes, and potentially can make, to wealth creation in the wider regional economy. This

is recognised in the role York will play in the Leeds City Region proposals and in the accompanying Transport Vision. Details of these proposals were presented to us by West Yorkshire PTE, Metro, which has overall responsibility for managing the transport implications of the Leeds City Region approach. We acknowledge the growth potential of the Leeds City Region and the dependency of its success on improved transport connectivity. There is also the need to ensure the long-term upgrading of the East Coast Main Line railway so that York retains competitive travel times.

The Leeds City Region economic strategy would bring an additional £7 billion GVA to the region, over and above the base

scenario, together with an additional 150000 jobs, by 2016. Of these, 15000 jobs (10%) will be provided by York. Transport connectivity is identified as the biggest constraint to future economic growth. However, under-funding for transport in the region is historic, particularly when compared with other regions such as the North West and the Midlands. The Leeds City Region transport vision will require major investment schemes such as the dualling of York's northern ring road, and these will take time to develop and implement. Clearly, the investment needed to deliver the necessary major capital schemes is outside the scope of the Local Transport Plan process with its 5 year time horizon. There is now a need, therefore, to ensure such schemes are reflected in future regional

funding advice to the Department of Transport.

Data gathered by Yorkshire Forward has emphasised the importance of York in an international sense and particularly as a leading city, promoting the United Kingdom's approach in Europe on the development and growth of the knowledge-led economy. For York to capitalise on its current position as a market leader in this area, consideration also needs to be given to its connectivity to an international airport.

Improvements to the existing highway network are particularly crucial to the development of two major brownfield sites in York, at York Central and British Sugar. Both sites have been identified by Yorkshire Forward as important factors in York's future economic success and also in that of the region. Both sites present particular challenges in terms of access. York Central, which is located beside the railway station and adjacent to the existing city centre, has a developable area of 37 hectares. The site about to be vacated by British Sugar following its imminent closure.



Transport Challenges

York's attractiveness to business, and to some extent its economic success, is based on the quality of its environment. The challenge is, therefore, to ensure the city continues to be economically successful, without damaging the environment. The Group considers that any increase in traffic congestion will both undermine the economy through poor accessibility and impact negatively on the quality of the environment, which in turn has a further negative impact on the economy.

Yorkshire Forward has made it clear that their predictions for the future success of the

York economy contain assumptions about the development of the major brownfield sites currently available. As well as problems of accessibility, these sites will also create a huge demand on an already congested transport network, the effects of which we are told will not be contained without significant highway infrastructure improvements, including the dualling of the northern outer ring road.

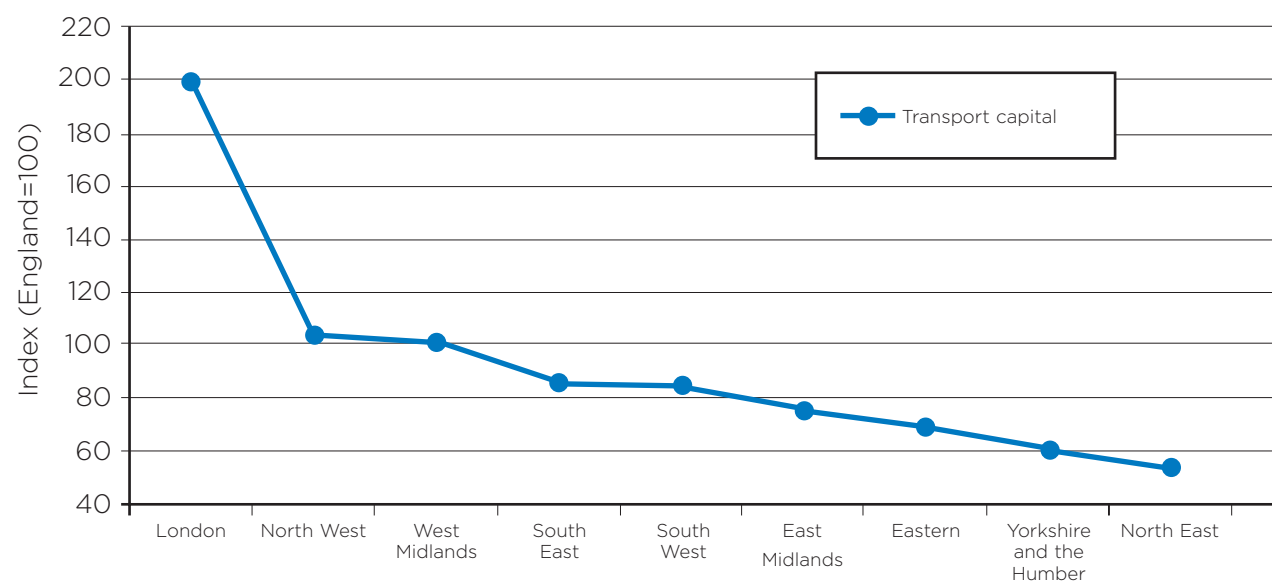
York is currently a net importer of employees with over 22000 people commuting in to the city compared with 17000 commuting out. As the York economy expands as planned (which in our view is essential), there is a challenge to ensure that sufficient housing is

provided to accommodate the additional workforce requirements, or there will need to be improvements in the transport provision to neighbouring settlements to provide a sustainable option for commuters. This would include both Leeds and Harrogate, where we are told proposals are currently being investigated for a light rail solution, utilising the existing Leeds to Harrogate to York heavy rail line.

To be efficient, business needs access to an effective transport network and it also needs to ensure good access to its premises for its employees. This may be at times of day and at locations where public transport is available, but it must also be recognised that there are examples of where this is not the case and flexibility within the transport and planning policies should be made to accommodate this eventuality. In particular, the city's parking policy on 'out of centre' developments is seen as too restrictive and a potential deterrent to future investors, particularly given the working hours of businesses today.

Undoubtedly, the biggest single key challenge for York in providing the necessary transport improvements to support the predicted economic growth for both the city and the region is one of resources. Current funding for transport to the city is not sufficient to address the key improvements set out below by a considerable margin, so if York is to play its full role locally, regionally and nationally as a wealth creator, this

Relative Investment in Transport Across England



Source: 'Leeds City Region Development Programme'

shortfall will need to be addressed. York will need to work with regional partners to ensure regional funding advice reflects the level of transport investment needed in the city.

Transport - Summary

The Group sees the heavy congestion on the northern outer ring road as the biggest single issue for York in transport terms. The problems associated with this single carriageway road were repeatedly emphasised in debate and by those giving evidence to the Group. The A1237 provides key access both into and out of large parts of the city and we are told that the volume of traffic using it is way beyond its design capacity. We understand that City of York Council have investigated the improvement of this road, including dualling, but that the scale of costs involved puts it outside normal funding regimes. We also heard from West Yorkshire Passenger Transport Executive that the need to dual the road is a significant and important element in the transport vision for the Leeds City Region, again recognising the importance of York's economic success within that proposal.

We also understand that dualling the northern outer ring road is not only necessary to support the wellbeing of the existing business economy, but also to enable the successful development of the York Central and British Sugar sites, both of which have been identified as crucial to York's and the Leeds City Region's future

economic success. The dualling of the northern outer ring road will ensure that the development of these sites does not add to central York congestion.

As an international tourist destination, and as an international centre of excellence in the knowledge led economy, York needs to have a first class link to an international airport with frequent world-wide connections. York has three 'local' airports (Leeds Bradford, Manchester, Doncaster Robin Hood) that are available, but transfer facilities from all three are slower than needed. Visitors should expect a frequent, reliable, quality transfer service which takes no longer than 45 minutes. Consideration therefore needs to be given as to how this can be achieved from at least one of the three airports.

Sustainable public transport links will need to be improved to neighbouring towns and cities, in particular to Leeds, Harrogate, Selby and Malton, in recognising York's role a sub-regional employment centre and a net importer of employees.

In12: We recommend that City of York Council be pro-active in working with regional partners to:

- i) Secure the necessary funds to allow for dualling of the city's northern outer ring road.**

- ii) Make the required connectivity improvements to at least one of the three regional airports to allow a maximum forty-five minute transfer time from the city. In addition to benefiting York, this would significantly develop international access across the region, which would in turn develop Yorkshire and the Humber's competitiveness in the global knowledge economy.²⁰**

- iii) Investigate options and funding mechanisms to improve sustainable public transport links to neighbouring regional towns and cities**

In13: We recommend that City of York Council review transport and planning policies to ensure more flexibility in addressing parking needs at out of city centre employment developments.

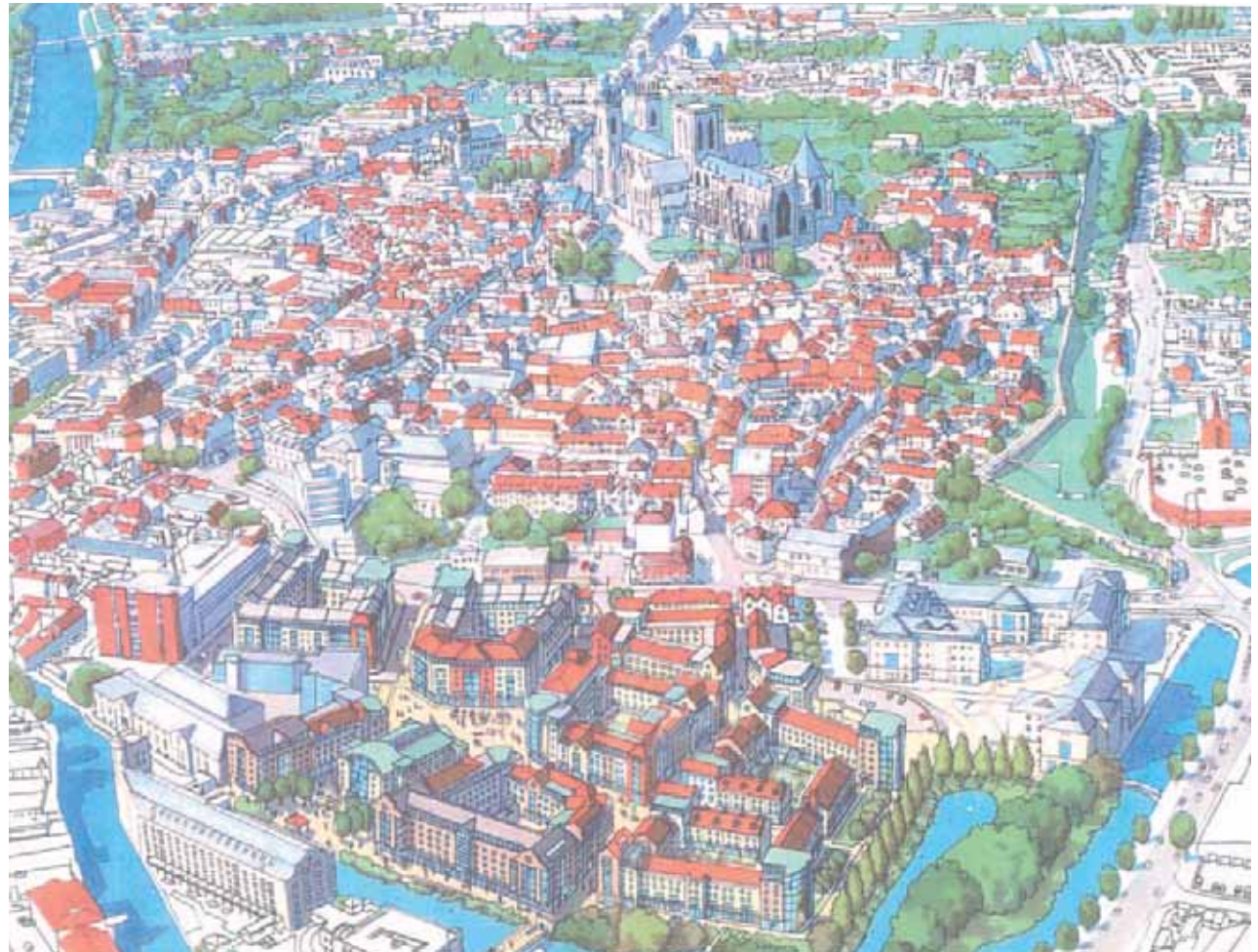
²⁰ Close proximity to an airport has been identified by a number of academics as a key success factor in developing competitive knowledge economies. The rationale behind this is that air travel is necessary to make ideas, processes and people internationally mobile. Connectivity is also a key consideration for businesses when assessing the merits of relocation.

Place-shaping

A 'place-shaping' component has recently been added to the economic agenda. Stronger and better leadership through effective partnerships can mould economies, making them spatially distinctive, and raising the quality of life for visitors and residents to enjoy. The 'place-shaping' role of local authorities involves responsibility for the well-being of an area and the people who live within it, promoting their interests and their future. It requires strong leadership, close engagement with local residents, effective partnership working with other service providers and the business community, and a consistent commitment to efficiency and cost effectiveness.

In his recent report 'Place-Shaping: a shared ambition for the future of local government', (March 2007), Sir Michael Lyons said: "Though some economic and sociological analyses have challenged the importance of place and the importance of the local in modern society and economics, place remains relevant. As our understanding of the multi-faceted nature of social and economic problems grows, and as our aspirations to solve them and to govern uncertainty and diversity increase, the arguments for a local role in determining the actions of government and the provision of public services are becoming stronger. In addition, economic analysis continues to

identify local factors and institutions as important influences on economic change and growth". We endorse this view and urge City of York Council to accept its leadership role shaping the future of York.



Vision & Leadership

Vision

We conclude in Chapter 2 that the York economy can continue to grow and to bring benefits across the whole community. However, this will only be achieved if there is a clear and consistent plan and programme of action, identifying the strategic priorities, which is followed by City of York Council and key economic stakeholders.

We have seen reports, studies and plans on a number of individual topics and issues relating to the city, its economy, and its development. We recognise that City of

York Council has developed and successfully implemented strategic policies in a number of areas: for instance in Science City York, and in the provision of Park and Ride facilities. We are struck, however, by the absence of an overall vision and strategy for the future of the city, which provides a clear sense of direction and priorities.

We believe a clear and consistent vision for the future of York, developed, agreed, and supported by key stakeholders, is essential if the city is successfully to adapt to change; to grasp the economic opportunities available; and to ensure that the whole community benefits from increasing the competitiveness of the city's economy. Without it, there is a lack of coherence between individual policies and programmes. Without it, the opportunity is lost to reinforce the impact of the key policies and priorities by consistent support in other policy areas.



We have noted that other cities and regions, which previously suffered from industrial decline, from disinvestment, and from loss of jobs, are now investing in the future of their economies, and are profiting from economic growth and expansion. We benefited from a stimulating discussion with Sir Robert Kerslake on the changing nature of Sheffield, which reinforced our view of the importance of the role of City of York Council in leading change.

We are aware of the changing national policy emphasis to recognise the importance of city regions in the promotion and management of economic growth. In the next chapter we note the relevance of the recent Local Government White paper 'Strong & Prosperous Communities' (DCLG: October 2006). We believe that York will face increasing competition from other regional and national cities for investment in knowledge-led businesses, in attracting high value added tourism, and for other forms of investment. We need to be fully aware of what is happening elsewhere. Other cities and towns with whom York is competing for investment receive significant regeneration and other funding from central government, which is not available to York. Competitor cities are investing in new attractions and facilities to maintain and enhance their visitor economies.

If the city is to maintain and build upon its competitive advantages, it cannot continue with current policies and actions. We need to

raise our game. In our view the Vision needs to shake free of any complacency about the future of York: it should be ambitious, audacious and outward looking. It should reflect a transformation of the city so that it can excite people and attract and retain the investment needed for the growth of the economy, whilst ensuring that the whole community benefits.

We have prepared our Vision of what the city would be like in 2020 if our recommendations are followed (see Chapter 1 Summary Conclusions). In our view, a successful economy is fundamental if the city is to achieve all its goals and desires. Our vision is, therefore, necessarily centred upon the economy of the city and the actions necessary to support it. We believe, however, that it is entirely compatible with the city's heritage, with enhancing of social equity, and with goals of sustainability. We recognise that the comprehensive Vision required will need economic and business considerations to be balanced against a range of other interests. The involvement of a wide range of stakeholders in the public, private and community sectors will be necessary to ensure that relevant policy areas are included. Hard choices will be necessary in choosing between priorities across a range of policy areas. The comprehensive Future York Vision will, therefore, need to be developed and agreed by a wide range of economic, social, and environmental stakeholders and partners.

VL1: We recommend our Vision of the long-term economic future of York to City of York Council and its partners, and urge them to adopt it as the plan for future policy and action.

VL2: We recommend that City of York Council, together with key partners and stakeholders, develop a comprehensive Future York Vision for the city, which is readily understood and which sets clear priorities.

VL3: We ask key stakeholders to commit themselves to developing and supporting the Vision and to use it to guide future investment and policy decisions. Because of its importance to the development and implementation of many of our recommendations, we believe that an agreed comprehensive Vision should be in place within nine months of our report being presented.

VL4: We recommend that the new Future York Vision should recognise the need to embrace the economic opportunities for the city; should recognise the wider regional and national context for the York economy; and should be ambitious for the future of the city and its people and businesses.

Leadership

Moving towards the new vision will require the support of a wide range of stakeholders and partners, and the consent of the people of York. Strong leadership will be required to build the necessary consensus. Leadership in support of the Vision will be required within each stakeholder organisation, but there is the need for overarching leadership to explain and justify the agreed outcomes, priorities and compromises contained within the comprehensive Vision.

Because of its wide range of functions, its role in civic governance and place shaping, and its democratic foundations, we believe that initial leadership must come from City of York Council, and particularly from its elected representatives. This does not preclude strong roles for individuals from other backgrounds. Indeed we would wish to see business people, representatives of other public sector organisations, and people from community and voluntary organisations as active and outspoken advocates of the vision. However, we believe that it can only be developed if City of York Council embraces the need for it, and actively promotes its development through its partnerships.

VL5: We recommend to City of York Council and to its elected leadership that it take the leading role in defining the ambition and developing the Vision; in bringing together the necessary partnerships; and in building the consensus for the new comprehensive Vision.



Partnership & Delivery

Partnership

In the previous chapter we recognise that the involvement of a wide range of partners is necessary for the development of the Future York Vision. Such a partnership will also be essential to ensure that effective links are made between economic and other issues in the development and delivery of the detailed strategies and programmes required.

Sir Robert Kerslake, in his presentation at Future York Group's first meeting, stressed the value of the involvement of people of influence, from across a city's stakeholders and organisations, in developing, and promoting the vision and strategy for a city, and in creating positive and purposeful change. We accept this conclusion. We believe that City of York Council should take the lead in strengthening the membership of its partnerships, so that they are able to take an effective role in bringing about the future we propose. This should necessarily include stronger business representation from across all business sectors.

In Chapter 2, we recommended that there should be a stronger engagement of private sector business in the future of the city, including continuing consultation with key businesses and business organisations.

We further urged businesses to take up any offer of involvement from the city and its partners in economic development. We are convinced

that the process of open discussion that we have enjoyed as the Future York Group will be of continuing value to the city. We recommended that City of York Council continue the dialogue with business and economic partners established through this Future York Group.

We are aware of the Economic Development Partnership Board's (EDPB) status as the main forum within City of York Council's partnership structures for discussion of economic and business issues. Indeed several members of our Group are also members of the EDPB. However, we do not believe that the impact of the EDPB has been as strong as we would wish it to be. Indeed, if the EDPB had been as strong a focus for discussion of important issues, and as strong an advocate of change, as we would wish, then the need for the Future York Group would have diminished.

We, therefore, recommend that City of York Council review the terms of reference, membership, and working arrangements of the EDPB, and re-establish a group, with strong representation from businesses, as well as other economic partners, to lead the economic transformation of the city in accordance with



the new Vision. Membership of the group should include sufficient and recognised expertise from across business sectors to enable an effective analysis and discussion of business needs and strategic issues. The group should be chaired by an independent person, and be enabled to manage its own agendas and work programme.

We would regard such a group as continuing the task that we have undertaken. The group should set the strategy for action and concentrate on the most important issues, including the major interventions and key drivers of change that we identify in Chapter 2. It should monitor progress and report to City of York Council and other partners responsible for the delivery of the programmes and projects. We recommend that the group should produce an annual economic development plan demonstrating progress against the vision, strategy and plans it has approved. In this way we hope that our report will be put into effect, and not gather dust on shelves.

If our proposals for such a group are accepted and implemented, individual members of Future York Group are willing to commit themselves to working as part of any new re-invigorated partnership arrangements. We, as a Future York Group, will meet again during December 2007 to review progress against our recommendations and publish our findings.

As indicated in Chapter 3, we have been



impressed by the work that is currently being undertaken by a range of organisations in analysing the skills and training requirements for the city's economy. We note the topicality and relevance of the Leitch report to our considerations. We also note the need for closer business involvement with the skills strategy, and with the organisations delivering education and training. We, therefore, recommend that City of York Council reviews how this work can best be linked into the renewed arrangements for the EDPB.

We fully recognise the need for wide ranging consultation regarding our proposals and consider that there are benefits in relating this to consultation proposed during late 2007 on the revised Sustainable Community Strategy, and issues and options for the Core Strategy of the Local Development Framework. This timetable would be



complementary to that we propose for the development of the Vision.

We also recognise the importance that other key partnerships will play in achieving a secure and confident long-term economic future for York. It will be vital for Science City York, the York Area Tourism Partnership and the City Centre Partnership, in particular, to recognise their importance to the overall Vision, to show leadership and to respond to future challenges.

P1: It is essential that City of York Council re-invigorate the role and membership of its partnerships, to ensure that they are effective in delivering the Future York Vision and the oversight of economic development and place shaping activities. We recommend to businesses and to business organisations in the city that they commit themselves to support the new

partnership and consultation arrangements, and actively participate in them.

P2: We recommend that City of York Council review the terms of reference, membership, and working arrangements of the Economic Development Partnership Group, to re-form the group to give strategic leadership and direction to the city's economic development activities.

P3: We recommend that City of York Council strengthen the business representation on the Local Strategic Partnership and on the re-formed Economic Development Partnership Board, to ensure informed and effective analysis and decision making.

P4: We recommend that City of York Council review how best the skills and training agenda can be linked into the work of the Economic Development Partnership Board.

P5: We recommend that the proposed review of the Sustainable Community Strategy be undertaken during late 2007 alongside the consideration of issues and options for the Core Strategy of the Local Development Framework.

Masterplan

A Vision will make clear the broad shape of the future city, and the priority between different needs and policies, to enable consistent, and purposeful decision making. It will not, however, give sufficient detail to guide all investment decisions, particularly those with a significant locational aspect. To be confident, investors and developers need to know what is proposed for a particular part of the city; what will happen in neighbouring areas; and the commitment of the public sector and others to achieving the proposals. York is a small historic city, with

limited opportunities to introduce new activities and transport links. We heard from Sir Robert Kerslake how important the masterplan had been for the management of change within Sheffield. We believe that such a plan is needed to guide development opportunities within York in the best interests of economic growth, the needs of local people and businesses, and the environment.

P6: We recommend that City of York Council urgently prepare a Masterplan, reflecting the Future York Vision, to guide development and investment decisions, and to promote investment.



Delivery

Our vision and recommendations will be worthless if they do not result in meaningful action to enhance the economic prosperity of York. Partnerships need to create the conditions and shape the place of York for it to flourish economically. We encourage the development of action plans to deliver the recommendations set out in this report. These action plans should identify the key transformational projects; have clearly identified outcomes and milestones; and be measurable. In addition, risks associated with delivery should be assessed and, where appropriate, controls put in place to mitigate significant risk factors.

The reformed EDPB should take the key role in overseeing these action plans and their subsequent endorsement, monitoring, and delivery, and should ensure that they remain consistent with any future arrangements regarding Local Area Agreements as set out in the Local Government's White Paper ('Strong & Prosperous Communities').

P7: We recommend that the re-formed Economic Development Partnership Board work with the council to develop Action Plans covering each area of activity, and use them to effectively monitor and manage the delivery of programmes and projects.

National and Regional

Some of the recommendations set out above provide ambitions for a wider area of influence, extending beyond the City of York into its hinterland of influence, and into the Leeds City region. In addition, we consider key elements of our recommendations to be of national significance: York can play a significant role in improving national competitiveness in the knowledge-led business sectors. Indeed, we believe that partnerships and leadership in York need to be more outward looking in order to achieve a new Vision for the city. City of York Council should work with other authorities and partners across the Leeds City Region to ensure that York obtains the maximum benefit possible. With its partners, City of York Council should lobby for resources and support through the Leeds City Region, and through regional organisations, to achieve the recommendations set out in this report. We firmly believe that our recommendations offer the opportunity for transformational change within the city region. We note that the Local Government White Paper, 'Strong & Prosperous Communities', introduces the concept of Multi-Area Agreements (MAAs) and we believe that our recommendations could form a significant element in York's involvement in the Leeds City Region development programme and any subsequent MAA.

P8: We recommend that, in the interests of maximising opportunities for York, City of York Council play an active role in the development and implementation of the Leeds City Region Development programme.

Resources

We believe that an ambitious and coherent Vision and strategy such as we advocate, supported by demonstrably effective partnership and delivery mechanisms, will be an effective argument for the additional resources required to deliver the Vision.

It will be vital for the development of the Action Plans recommended above to ensure that resources are available and committed to deliver our aspirations. All partners will need to consider mainstream funding to support these and we would also urge Investment Funding from Yorkshire Forward to be focussed on delivering projects that will directly affect the future prosperity of York. Partners, especially City of York Council, will need to ensure that York is well placed as Investment Planning moves to a City Region basis by March 2009. The current Local Area Agreement will also be a key mechanism for delivering key outcomes through the Economic Development and Enterprise Block. We would encourage all partners to examine the scope for further funding, such as the opportunities highlighted in the recent Lyons report,

particularly those which suggest more flexible funding arrangements affecting economic development.

There is scope for the Government to consider specific support to ensure that York's the future economy has a confident and secure basis. Particular ways in which the Government could respond to this report include.

- ▶ Direct funding with Yorkshire Forward to enable the production of the Masterplan referred to above.
 - ▶ Investment in transport infrastructure.
 - ▶ Additional support for Science City York, as part of the national Science Cities initiative.
 - ▶ Support for developing proposals from this report for any future Local Area Agreement(s) and Multi-Area Agreement(s).
- ▶ Support for developing proposals from this report within emerging programmes for the Leeds City region.
- ▶ Consideration of the scope for using York as a pilot locality for implementing the recommendations arising from the Leitch report in view of the importance of developing workforce skills in response to current and future employer demands.
- ▶ Consideration of the scope for Government relocations.



Next Steps

We recognise that we are making a wide range of recommendations, and that City of York Council, and other key stakeholders will need time to consider them all. However, the task is urgent, and the time limited. There are a number of key actions and decisions which are needed if we are to grasp the opportunities available.

City of York Council

- ▶ Endorse the Vision for Future York and agree a Masterplan for delivery.
- ▶ Produce a detailed implementation plan, providing targets, timetables and milestones, to deliver the specific recommendations in this report.
- ▶ Reinvigorate Local Strategic Partnership arrangements; develop a business-led economic group to bring this forward.
- ▶ Provide additional resources to enable the approval of the local Development Framework by 2009.
- ▶ Actively support the rapid development of key sites such as York Central.

Government

- ▶ Approve the Heslington East planning proposal.²¹
- ▶ Provide financial support for the dualling of the northern ring road.
- ▶ Maximise the national benefits of Science City York, including supporting a recent proposal to HM Treasury for enterprise zone-style capital allowance for limited classes of property investment in R&D zones to encourage development (see recommendation E3 for details).
- ▶ Encourage Network Rail and NMSI to respond positively and quickly to the opportunities at York Central.



²¹ N.B. No decision had been made at the time of the preparation of this report.

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Jim Poyner (copyright 2007) photo page 35 showing a graphic designer at the Design and Communications Agency Stone Soup at their York offices

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