

# York and North Yorkshire Strategic Economic Assessment

## Appendix B: Contribution to the RES Targets

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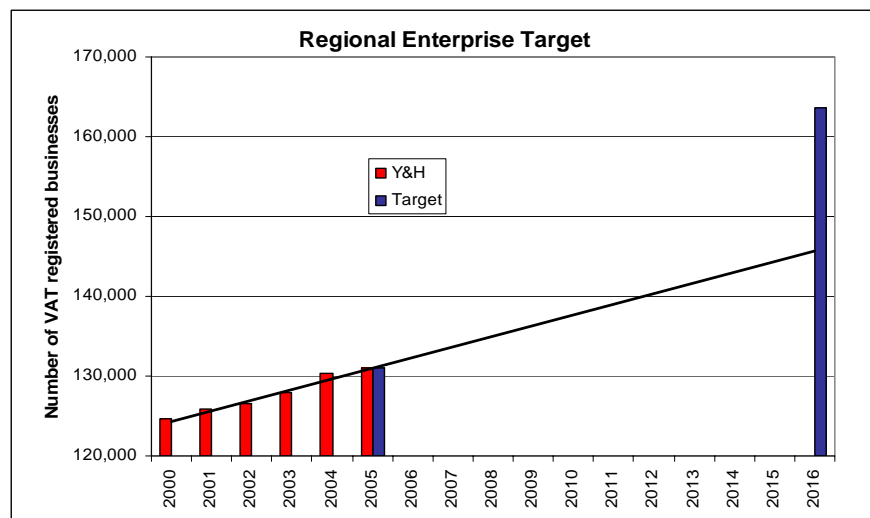
## Appendix B: Contribution to the RES Targets

This appendix sets out the regional targets which have been set to measure the achievement of the objectives in the Regional Economic Strategy. The areas where York and North Yorkshire can contribute are identified and the implications for the sub region explored.

### B.1 RES 1: More Businesses that Last

**RES Target: 25% increase in the number of VAT registered businesses by 2015**

The Regional Economic Strategy Target for Enterprise is to increase the number of VAT registered businesses in the region by 25% by 2016, reflecting the low number of VAT registered businesses per head across the region. Since 1998, the annual growth rate of VAT stock in the region has ranged from 0.5% (between 2004 and 2005) to 1.9% (between 2003 and 2004). It averaged 1% per year between 1998 and 2004.



This historical trend of 1% would give a growth rate as displayed by the black line in the graph above. As can be seen, growth at recent rates would lead to a shortfall of 18,500 VAT registered businesses against the target. In order to meet the RES target of 25% growth, the region will need to achieve an annual growth rate of 2.2% from 2005 onwards - more than double that which is currently being achieved.

In York and North Yorkshire, the number of VAT registered businesses has risen from 27,665 in 1998 to 29,940 in 2005, an average annual growth rate of 1.2%. Achieving the regional target of a 25% increase in York and North Yorkshire would equate to an additional 7,486 businesses over the next ten years, an ambitious target given the already high number of businesses per head in the sub region and the fact that the VAT stock has increased by 2,625 over the past ten years, during a period of sustained economic growth. The implications for the sub region and its local authority areas are shown in the table below:

	Current Position (2005)		Target Position (2015)		
	Start of year stock (2005)	Stock per 1,000 adults (2005)	Target number of VAT registered businesses by 2015	Additional number of VAT businesses in each area (25% increase) by 2015	Target stock per 1,000 adults (based on 2004 residents) by 2015
<b>Y&amp;H</b>	<b>130,950</b>	<b>32</b>	<b>163,688</b>	<b>32,738</b>	<b>40</b>
Y & NY	29,945	48	37,431	7,486	60
York	4,785	31	5,981	1,196	39
NY County	25,155	53	31,444	6,289	67
Craven	2,890	66	3,613	723	82
Hambleton	4,205	61	5,256	1,051	76
Harrogate	6,810	54	8,513	1,703	68
Richmondshire	2,130	52	2,663	533	65
Ryedale	3,055	72	3,819	764	90
Scarborough	3,285	37	4,106	821	47
Selby	2,780	45	3,475	695	56

On average there are approximately 2,200 new start businesses per annum in York and North Yorkshire, whilst the de-registration rate varies considerably. The net change in the number of businesses in the sub region has been positive every year for the past eight years, ranging from +40 in 1996 to +520 in 2003. However, to achieve the RES target, the number of VAT registered businesses in the sub region would need to increase by an average of just under 750 per annum for

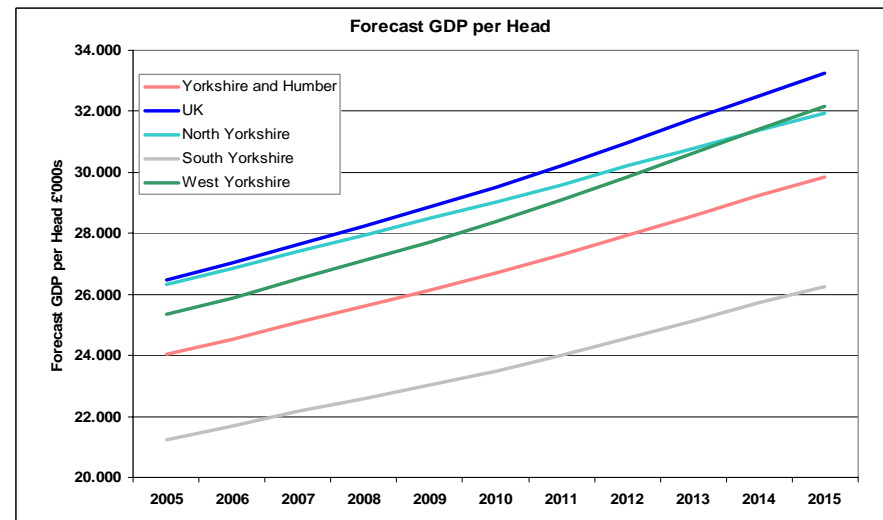
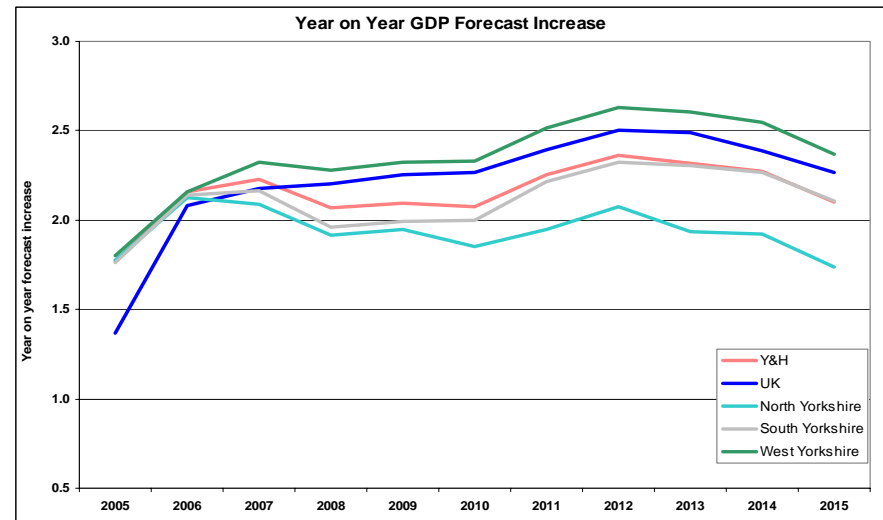
ten years. This would result in the sub region having a business density rate of 59.8 businesses per 1,000 adults, over 50% higher than the current England average and almost 25% higher than the current level. The only areas in England which currently have a higher business density rate are Inner and Outer London and Buckinghamshire, suggesting that this target will be difficult to achieve, and that faster growth in VAT stocks elsewhere in the region (where the starting base is lower) will therefore be needed to reach to RES target.

## B.2 RES 2: Competitive Businesses

### Economic Growth - Gross Domestic Product (GDP)

Forecast GDP per head has been used to provide an indication of economic growth and this will be examined in two ways. Firstly, year-on-year forecast percentage growth is a good way of comparing areas that have significantly different baselines. The graph below highlights that West Yorkshire is forecast to show above average year-on-year growth whilst York and North Yorkshire is forecast to perform least well.

The second table displays forecast GDP per head up to 2016. Whilst all areas in Yorkshire show forecast growth, they all fall below the UK average. South Yorkshire has consistently lower GDP per head figures compared to the other two sub regions. West Yorkshire is forecast to overtake York and North Yorkshire in 2014.

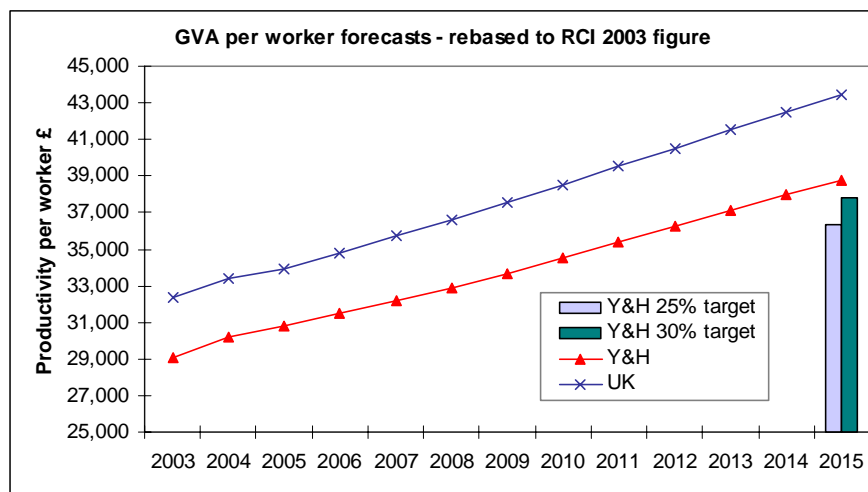


## Productivity – Gross Value Added (GVA)

**Target: Raise GVA per employee by 25-30%, from £28,300 in 2003 to £35,000 - £37,000 in 2015.**

GVA data for Yorkshire & Humber is available in two formats; direct from the Office for National Statistics (ONS) or from the Yorkshire Forward / Experian Regional Econometric Model (REM). Statistics from ONS are available until 2003 whereas forecasts from the econometric model are made until 2016. Also, it should be noted that GVA figures from ONS are lower than those in the Yorkshire Forward / Experian model. In order to work to both sets of figures (and therefore provide regular updates and forecasts against this target) the following approach has been taken by the Yorkshire Forward Research Team.

The ONS figure for GVA per employee will be used as the 2003 baseline. In the original RES target, this was set as £28,300 but a recent update by ONS has changed this baseline to £29,100. Secondly, the year-on-year percentage increases that are forecast from the Experian model will be utilised. These percentage increases can then be applied to the ONS baseline figure for the region.



Using the same data sources, the UK can be used as a comparator. The 2003 baseline figure for the UK is £32,400. To meet target, the region will need GVA per employee to increase to £36,375-

£37,830 (25 - 30% increase from 2003 baseline). Referring to the graph, it is forecast that the region will over-achieve against the target, even at the high-end of the target at 30%.

Only the regional GVA figure has been re-based to the ONS 2003 figure. It is therefore not possible to provide an estimate of the likely GVA per worker in York and North Yorkshire in 2015. However, GVA per worker in the sub region was above the regional average in 2003 (using the Yorkshire Forward / Experian model estimates) and is forecast to increase by 32.4% to 2015, indicating that the target increase will be achieved in York and North Yorkshire. GVA per worker could be further increased in the sub region by raising employment in higher value added sectors and occupations.

## Innovation

**Target: Double R&D Expenditure from 0.5% of GVA in 2002 to >1% of regional GVA by 2015.**

This is a regional target with no sub regional breakdown. Between 1998 and 2003, business expenditure on R&D in Y&H has remained unchanged at 0.5% of GVA. Based on forecast GVA figures from Experian Business Strategies, the GVA for the region will be £100.3b in 2015. If the region can increase its business expenditure to 1% of GVA by then, this would equate to spend of approximately £1bn. However, using current growth rates, R&D expenditure is only expected to be £501.4m (0.5% of the region's forecast GVA). This is half the target and would leave a regional shortfall ranging from £500m-1,000m.

Business R&D Expenditure as a % of Regional GVA

	UK	Y&H	ENGLAND
1998	1.3	0.5	1.4
1999	1.4	0.5	1.5
2000	1.3	0.5	1.5
2001	1.4	0.5	1.6
2002	1.4	0.5	1.5
2003	1.4	0.5	1.55

Source: 1998 - 2002, DTI, Regional Competitiveness Indicators

Source: 2003, Office for National Statistics, The Region in Figures, 2004; Regional Gross Value Added, 2005 (Calculated from GVA figures)

The table below shows the levels of business expenditure on R&D that would be needed across the region to achieve rates of 1.0% - 1.5% of GVA. In 2003, business expenditure on R&D in York and North Yorkshire was £104m, or 27.2% of the regional total. If the region is to increase business expenditure on R&D to 1% of GVA by 2015, and assuming York and North Yorkshire continues to

account for the same overall proportion of regional R&D, this level of expenditure would need to more than double to £273m by 2015.

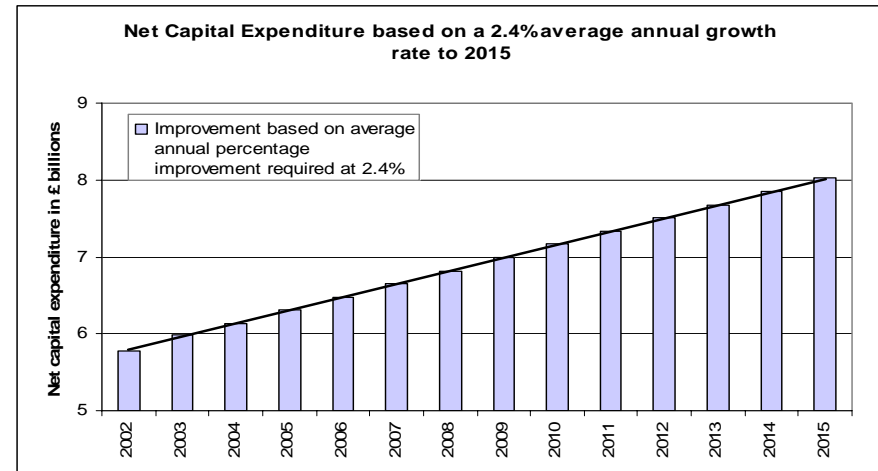
Target for % GVA spend on R&D	1%	1.1%	1.2%	1.3%	1.4%	1.5%
Target for business expenditure on R&D (£m)	1,002.8	1,103.1	1,203.4	1,303.7	1,404.0	1,504.3
Shortfall based on continuing 0.5% rate (£m)	501.4	601.7	702.0	802.3	902.6	1,002.8

Source: Yorkshire Forward

### Investment

**Target: Raise Private Sector Investment (measured as Net Capital Expenditure) by 50% to at least £8.3b by 2015.**

The target to increase private sector investment by 50% is a regional target and no sub regional breakdowns have been produced, as data on net capital expenditure by businesses is only available at the regional level. The original RES target was based upon the 1997-2002 baseline of £5.3bn. However, this average was recently updated to £5.8bn and this will be used as the new baseline for this target. This reflects a rolling average method of measurement whereby four years of data will be used, i.e. the figure for 2004 will be made from an average of 2001, 2002, 2003 and 2004 data. To achieve £8bn of investment by 2015, net capital expenditure will need to increase annually by £167 million or by a rate of 2.4%. This is shown in the graph below. This is a challenging target given that net capital expenditure in the region increased by only 8% between 1998 and 2003, and companies in York and North Yorkshire will need to be encouraged to invest if the target is to be achieved.



### B.3 RES 3: Skilled People Benefiting Business

#### Skills & Educational Attainment

**Target: Raise the proportion of people with NVQ Level 2 equivalent or higher from 70% in 2004/05 to 80% by 2015. Also, the proportion within this total with NVQ Level 4+ qualifications should increase from 37% to 45% by 2015.**

Across the region, there are currently 1.6 million people with a Level 2+ qualification, or 70% of all economically active people in the region. To meet the Level 2+ skills target, this will need to increase to 80% by 2015 which equates to an additional 227,300 people gaining Level 2+ qualifications. If historical trends are projected forwards, the region should over-achieve against this target.

The following tables show how the Level 2 RES target affects each Local Authority District in terms of the additional number of qualified people needed. In York and North Yorkshire the numbers are relatively small, given the already high level of qualifications within the workforce. Hambleton has already achieved the 2015 Level 2 target.

## Level 2 RES Target

	Current Position (2004/05)		Target Position to reach 80% in all Local Authority Areas by 2015	
	Number with a Level 2+	Percentage with Level 2+	Target Position to reach 80% in all Local Authority Areas	Additional numbers required to achieve Level 2+ target
<b>Y &amp; NY</b>	<b>273,814</b>	<b>76.8%</b>	<b>285,163</b>	<b>11,349</b>
York	68,924	78.1%	70,644	1,720
Craven	20,156	77.5%	20,816	660
Hambleton	33,152	81.1%	32,702	-450
Harrogate	58,578	76.8%	61,058	2,480
Richmondshire	15,987	74.2%	17,246	1,259
Ryedale	16,147	75.6%	17,092	945
Scarborough	32,052	72.4%	35,397	3,345
Selby	28,815	76.3%	30,208	1,393

Source: DFES Analysis of the English Labour Force Survey, Yorkshire Forward

Across the region, there are currently 623,000 people with a Level 4+ qualification, or 27% of the economically active population. In order to achieve the skills Level 4+ target (45% of those with a Level 2+ also having a Level 4+), an additional 199,400 people qualified at Level 4+ will be needed. If historical trends are projected forwards and with no intervention, the region will under-achieve against its Level 4+ target. However, this is not the case in York and North Yorkshire, where most areas have already achieved the 2015 Level 4 target. The exceptions are Selby, Richmondshire and Scarborough, where there is still a need for additional people with Level 4 qualifications to meet the 45% target.

## Level 4 RES Target

	Current Position (2004/05)		Target Position to reach 80% in all Local Authority Areas by 2015	
	Number with Level 4+	Percentage with Level 4+	Target position to reach for Level 2+	45% of Level 2+
<b>Y &amp; NY</b>	<b>131,746</b>	<b>37.0</b>	<b>285,163</b>	<b>128,323</b>
York	34,646	39.2	70,644	31,790
Craven	10,461	40.2	20,816	9,367
Hambleton	14,969	36.6	32,702	14,716
Harrogate	30,234	39.6	61,058	27,476
Richmondshire	6,217	28.8	17,246	7,761
Ryedale	9,034	42.3	17,092	7,691
Scarborough	15,529	35.1	35,397	15,929
Selby	10,656	28.2	30,208	13,594

Source: DFES Analysis of the English Labour Force Survey, Yorkshire Forward

## B.4 RES 4: Connecting People to Good Jobs

## Index of Multiple Deprivation (IMD)

Target: Cut the percentage of Super Output Areas (SOAs) in the region that are within the 10% most deprived nationally. In particular, to halve the gap to the national average.

In total, there are 3,248 SOAs that fall within the 10% most deprived in England. If the region is to halve the gap to the national average, it will need to reduce the number of SOAs in Yorkshire and Humber from 17.4% (572 of the 3,293 SOAs in the region) to 13.7%. This equates to a reduction of 121 SOAs in the 10% most deprived.

Very few of the SOAs in York and North Yorkshire are amongst the 10% most deprived nationally – just seven of the 488 SOAs in the sub region or 1.4%. To contribute to the regional target, the York and North Yorkshire sub region is expected to reduce the number of SOAs in the worst 10% by just one – in Scarborough, where all seven of the most deprived SOAs in the sub region are located.

	Total number of SOAs in area	Total number of SOAs in 10% most deprived	Percentage of SOAs in the district in the 10% most deprived	Region's share of most deprived SOAs	Target number of SOAs to reduce out of 10% most deprived based on share of region's most deprived
Y&H	3293	572	17.4	100.0	121
W. Yorks	1381	270	19.6	47.2	57
S. Yorks	845	181	21.4	31.6	38
Humber	579	114	19.7	19.9	24
Y & NY	488	7	1.4	1.2	1

## Employment

Target: Raise the ILO Employment rate from 74.4% in 2004 to 78-80% by 2015.

In 2005, the region had just over 3 million people of working age. Of these, 2,267,000 were in employment (74.6% of the total). In order to achieve the RES target, and based on current working age population, the region would need to attract an additional 103,300 - 164,100 people into employment by 2015. Currently, York, Craven, Hambleton and Harrogate exceed the 80% target.

Additionally, Ryedale, Scarborough and Selby surpass the 78% target. The table below shows that only Richmondshire needs to increase employment to meet the 78% target, whilst Richmondshire, Ryedale, Scarborough and Selby would need to increase employment numbers to reach the 80% target. All other parts of the sub region already over-achieve on this target.

#### RES Employment Target – York and North Yorkshire

	Total of all working age people, 2005	Target Number		Current Shortfall	
		78% Emp. Rate	80% Emp. Rate	Extra no of people at 78%	Extra no of people at 80%
Y & NY	447,853	349,325	358,282	-15,675	-6,718
York	115,816	90,336	92,653	-2,664	-347
Craven	29,172	22,754	23,337	-2,246	-1,663
Hambleton	45,828	35,746	36,663	-3,254	-2,337
Harrogate	91,442	71,325	73,154	-6,675	-4,846
Richmondshire	28,424	22,171	22,739	171	739
Ryedale	27,990	21,832	22,392	-168	392
Scarborough	57,107	44,543	45,685	-457	685
Selby	53,232	41,521	42,586	-479	586

#### B.5 RES 5: Transport, Infrastructure and Environment

##### Environment

No regional or sub regional targets for the environment have been set as yet. This section provides the latest update on the regional position, from the Yorkshire Futures newsletter. In spring 2006, Yorkshire Forward commissioned Cambridge Econometrics to update the greenhouse gas (GHG) emissions estimates for the Yorkshire and Humber region for 1990 to 2004.

There are six gases that are categorised as greenhouse gases and of these, carbon dioxide contributes by far the most to emission levels. In 2003, CO<sub>2</sub> accounted for 86% of UK greenhouse gas emissions. The largest source of CO<sub>2</sub> is the combustion of fossil fuels in power generation. The other five greenhouse gases are shown in the table below.

Gas	Proportion of UK emissions (2003)	Main source
Methane (CH <sub>4</sub> )	6.20%	Landfill sites, livestock and coal mines.
Nitrous oxide (N <sub>2</sub> O)	6.20%	Fertilisers in agriculture and the natural release from soil by nitrifying bacteria.
Hydrofluorocarbons (HFCs)	1.60%	Refrigeration, air conditioning, aerosols and fire-fighting fluids.
Perfluorocarbons (PFCs)	0.10%	A by-product of aluminium smelting; also used in the manufacture of electronics equipment, refrigerators and the cushioning in the soles of trainers.
Sulphur hexafluoride (SF <sub>6</sub> )	0.20%	Manufacture of magnesium, trainers and electronics equipment.

In 2004, it is estimated that Yorkshire and Humber accounted for 13% of total UK GHG emissions, compared to 12% in 1990. For comparison, in 2004, the region accounted for about 7.5% of UK GVA, 8% of employment and 8.5% of population. Carbon dioxide accounts for 91% of the region's GHG emissions, a higher proportion than for the UK as a whole (86%).

Power generation is a major source of emissions, and in 1990, it accounted for around 52% of GHG emissions in Y&H and 38% nationally. By 2004, this proportion had increased in Y&H to 62% and to 40% nationally. Yorkshire and Humber contains around 17% of all UK power generation capacity and 30% of UK coal-fired capacity, and is a net exporter of power to other regions. Much of this power is generated in North Yorkshire.

Between 1990-2004, whilst there was a reduction in CO<sub>2</sub> emissions for the UK as a whole, this was not experienced in the region. However, this was mainly due to an increase in the quantity of coal used by the power generation industry. Excluding power generation input, the UK's GHG emissions have reduced by 14.7% (an annual average reduction of 1.1%), whilst Y&H's GHG emissions have reduced by 20.4% (an annual average reduction of 1.6%).

		GHG Emission Reduction Rates		
		1990 - 2000	2000 - 2004	1990 - 2004
UK	Including power generation	-13.2	2.4	-11.1
	Excluding power generation	-12.9	-2.1	-14.7
Y&H	Including power generation	-1.9	3.3	1.3
	Excluding power generation	-16.2	-5	-20.4

Other key findings from the report highlight:

- A reduction in emissions from energy-intensive industries, particularly due to the introduction of cleaner technology, along with a reduction in output following the closure of old, inefficient plants producing low-margin products.
- 'Other industry' emissions rose between 2000-04, mainly in the engineering and transport equipment sectors.
- Emissions from transport in the region grew between 1990-2004.
- Emissions from domestic use declined in the region between 2000-04. Emissions from domestic use are mainly due to the use of natural gas and oil in central heating in houses.
- Emissions from commerce in the region increased between 2000-04 although they declined nationally. This is primarily attributed to stronger employment growth in the region.
- Emissions directly attributable to agriculture/ industry continued to fall rapidly in both the region and in the UK as a whole.

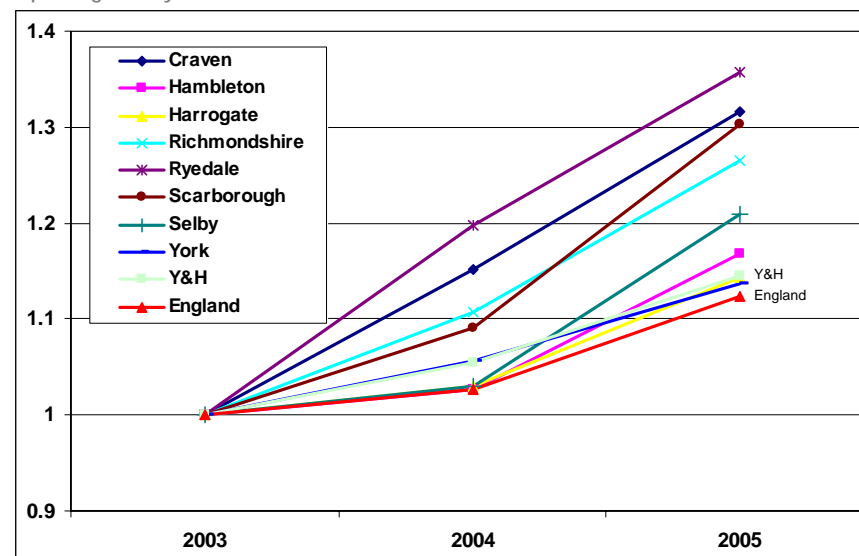
## RES 6: Stronger Cities, Towns and Rural Communities

### Quality of Place

Target: Significantly above-average improvements in the regional quality of place index

The regional quality of place index is a bespoke measurement of quality of place, developed by the Yorkshire Forward Information Team with support from consultants. The index is made up of a series of indicators broadly grouped into three categories – measurement of place, measurement of perceptions of place and measurement of engagement in place. The model is currently being tested and will be further refined over time.

### Improving Quality of Place in York and North Yorkshire



Source: Yorkshire Forward

The chart above shows trends consolidated from multiple indicators, whereby district figures have been set to the nominal figure of 1 in 2003 and progress in each town is measured against this baseline rather than against other areas. As can be seen, most York and North Yorkshire districts

are above average when compared both to regional and national averages. Other details from the index itself reveal strong growth in:

- Income in Selby.
- Number of those considering starting a business.
- House prices in Scarborough.
- Community participation.
- NVQ 4+ levels in Scarborough.

With the exception of York and Harrogate, all parts of the sub region have out-performed the regional and England averages, contributing to raising the average regional quality of place index.