

Advancing Ambitions: Creating a sustainable economic future for Sheffield

An independent report by Centre for Cities

October 2011 - Tom Bolton, Kieran Larkin & Paul Swinney

Sheffield is part of the Centre for Cities' Partner City research programme. The programme works closely with a small group of cities to inform economic development strategies and improve economic performance.

The research focuses on the core question: **What are Sheffield's key growth sectors, and what are the implications of these and the changing policy environment for future economic growth in the city?**



Key Recommendations

Three main priorities for Sheffield City Council include:

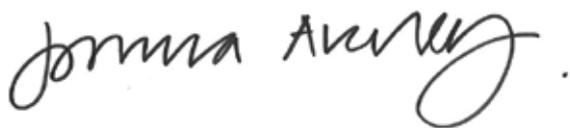
- **Work to make Sheffield more attractive to business**, including taking a creative approach to disused industrial land, using the **Enterprise Zone** as a lever to improve environmental quality and using new financial mechanisms such as **Tax Increment Financing** to lever private sector contributions.
- Work with Sheffield's two **Advanced Manufacturing Research Centres** (AMRCs) to advise businesses on marketing Intellectual Property and building international links to sell knowledge as well as products.
- **Prioritise skills investment and university links**, using Technology Innovation Centre programme funding to bridge the gap between **universities and business** and continuing to **reduce the proportion of the workforce with no qualifications** through creative partnerships with Work Programme providers.

Foreword: Centre for Cities

Sheffield is a city that has transformed itself over the past 15 years. Faced with a legacy of declining heavy industry, and a city centre in urgent need of renewal, Sheffield successfully altered its economic trajectory. Declining population and employment trends had both reversed by the start of the 21st century, and the city's image was transformed with a series of high profile improvements to the built environment. In common with the rest of the UK's cities the 2008 economic crisis created a series of challenges for Sheffield's economy but a new policy landscape now offers new ways to ensure the city creates jobs and builds on the progress already made.

The next phase of Sheffield's development will be defined by the way it responds to the opportunities now on offer. The city has strong motivations to improve conditions for business and ensure there are as few barriers as possible to economic activity. Potential approaches to attracting firms should include the use of new vehicles such as the Sheffield Enterprise Zone to generate growth, or Tax Increment Financing to enable key developments. The city's advanced manufacturing base is famous, and it can build on its two Advanced Manufacturing Research Centres and its strong university presence to boost research and development and set high ambitions for skills.

Both Sheffield City Council and the Sheffield City Region Local Enterprise Partnership have crucial roles to play in providing the leadership, common purpose and clarity of vision that will enable Sheffield to make use of its strengths and address its weaknesses. Growth will not be easy to achieve for the majority of UK cities, but Sheffield has the potential to create a sustainable economic future by taking the right decisions now.



Joanna Averley
Interim Chief Executive
Centre for Cities

October 2011

*The next phase
of Sheffield's
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Foreword: Sheffield City Council

Sheffield is not fighting for economic survival – the city is in a far stronger position than that – but it will fight to secure economic growth at a time when that growth is scarce, nationally and globally. There is no rising tide of economic growth that cities can rely on and so in Sheffield we want to take our own steps to secure growth locally.

Sheffield's future growth will be defined by the way we create and shape opportunities now. We need to produce proposals for growth, which are well argued, well evidenced and brave and bold. Proposals which are clear about how we are going to create growth and what that growth will be. We have to be innovative and be able to show the return that we will give for the investment of money, incentives or new powers that we are asking for. We must not be frightened of risk. We must use, to their full extent, the new tools on offer such as Tax Increment Financing and be innovative and flexible in our approach to the Sheffield City Region Enterprise Zone, seeking to maximise the business rate uplift for further investment locally. Doing this – creating our own initiatives and driving them forward – is in my view essential for any city in England that is going to grow its economy in the foreseeable future.

To facilitate this way of working, it is vital that we work more closely with the local private sector. The public and private sectors in Sheffield have worked incredibly well together over the last 10 years and we are developing this collaborative style and trust to ensure that we deliver the best opportunities for growth in Sheffield. Recent examples show that this strategy is paying off; we were determined that our Local Enterprise Partnership would be one of the first and one of the best run and all the feedback we received suggests that is the case; we were clear that the Enterprise Zone proposal to Government would be one that worked for Sheffield and its wider City Region and that it would be one that has the potential to provide success for us and for the Government.

We have in Sheffield and in its City Region most of the essential ingredients. We now need to move with speed and determination in a public – private partnership to take things forward.

John Mothersole
Chief Executive
Sheffield City Council

October 2011

There is no rising tide of economic growth that cities can rely on and so in Sheffield we want to take our own steps to secure growth locally

Executive Summary

Sheffield has undergone a significant revival during the last decade and a half. Its population has grown by 5.2 percent since 2001 and between 1995 and 2008 employment grew by 22 percent.

Despite this growth, Sheffield still faces a number of economic challenges. This independent report looks at what Sheffield can do to strengthen its private sector economy, both in terms of job creation and improved productivity. It analyses the performance of the city's key sectors and the wider business environment, and makes recommendations to the city council and other public sector partners.

While Sheffield City Council is best placed to promote jobs and growth in the city, some drivers of growth – for example transport infrastructure or the promotion of innovation and enterprise – need to be tackled beyond the boundaries of the local authority, in collaboration with the neighbouring councils which form Sheffield's functional economic area. The new Sheffield City Region Local Enterprise Partnership (LEP) has the potential to ensure growth policies are planned and prioritised at this scale, across the city region where they are most likely to prove effective. The recommendations below are for Sheffield City Council, but many require close partnership working with the LEP.

Key recommendations

Work to make Sheffield more attractive to business

- Take a **creative approach to disused industrial land** and buildings, exploring their potential as a resource to create benefit for Sheffield, and using the Enterprise Zone as a lever to improve environmental quality.
- **Set up a fund to promote business innovation**, run by the LEP and using new financial mechanisms such as Tax Increment Financing (TIF) to lever private sector contributions.
- Aim to attract business with a **highly competitive planning regime**, setting even higher ambitions for processing planning applications quickly and smoothly.
- Promote the development of **Grade A office space in the city centre** where this responds to private sector demand, to ensure the commercial offer matches Sheffield's exemplary public realm for quality.
- **Explore the potential of TIF to fund improvements** to rail links from Sheffield to Manchester and Rotherham. Reverse the decline in bus usage by promoting public transport, and by using new powers to make agreements with bus companies on improving services.

The new Sheffield City Region LEP has the potential to ensure growth policies are planned and prioritised across the city region where they are most likely to prove effective

Target support carefully to benefit Sheffield's priority sectors

- **Work with Sheffield's two Advanced Manufacturing Research Centres (AMRCs)** to advise businesses on marketing Intellectual Property and building international links to sell knowledge as well as products.
- The city council and the LEP should explore formal **international city links** to support Sheffield's businesses by promoting exports.
- The LEP should **support competitiveness in the creative and digital sector** by co-ordinating knowledge exchange links between the South Yorkshire Digital Region and its digital sector neighbours.
- The council and the LEP should promote the creative and digital sector through setting up closer working between the universities, including exploring funding for formal collaboration.
- The LEP should link the **healthcare sector** with creative and digital firms to share knowledge on the development of digital technology in healthcare applications.
- The city council should work with GP consortia and hospital managers to help healthcare firms to access and negotiate NHS procurement contracts.

Prioritise skills investment and university links

- Use Technology Innovation Centre (TIC) programme funding to **bridge the gap between universities and business**, supporting and encouraging advanced manufacturing firms to increase their level of investment in research and development (R&D) activity.
- **Raise ambitions on skills**, continuing to reduce the proportion of the workforce with no qualifications through a creative partnership with the new Work Programme providers.
- Task the LEP with accreditation and marketing of apprenticeships to promote employment in the advanced manufacturing sector.
- Ensure the LEP becomes a broker between the universities and business, improving CPD and access to business space, and promoting the extended Sheffield's Engineering Gateway programme.

Raise ambitions on skills, continuing to reduce the proportion of the workforce with no qualifications

1. Sheffield's economy in context

This section puts the Sheffield economy in context, setting out how it has rebounded from the decline of the manufacturing sector since the 1970s. It also looks at sources of jobs growth in the Sheffield economy and the performance of the city's labour market. It shows that Sheffield underwent a period of strong private sector jobs growth, but that private sector jobs began to decline before the recession started.

Decline and recovery

The past decade has seen Sheffield's economy recover significantly from a long period of decline. It is well known that the driver of Sheffield's recent economic history has been the retrenchment of the city's steel industry. Between 1971 and 2008, employment in manufacturing in Sheffield fell by 74 percent, with the sector shedding 120,000 jobs.¹ A further 40,000 jobs were lost in the rest of South Yorkshire.

Since the turn of the century Sheffield has shown signs of a strong recovery, underpinned by the extensive efforts of the city council and the large amount of public funding invested in the city, particularly in improvements to the public realm.²

The strength of the revival can be demonstrated by recent population growth in Sheffield (Figure 1), an important indicator of a city's economic strength. Sheffield's population has undergone strong growth during the last decade, indicating a resurgent economy. Between 1971 and 2001 Sheffield's population declined by 7.5 percent, with higher skilled workers leaving to seek out job opportunities elsewhere. But since its lowest point in 2001, the city's population has grown by 5.2 percent, the fourth strongest performance of the Core Cities (Figure 1).

1. We use the Sheffield Primary Urban Area (PUA) definition which includes Sheffield and Rotherham local authorities.
 2. Power A, Plöger J & Winkle A (2010) *Phoenix cities: The fall and rise of great industrial cities*, Bristol: Policy Press

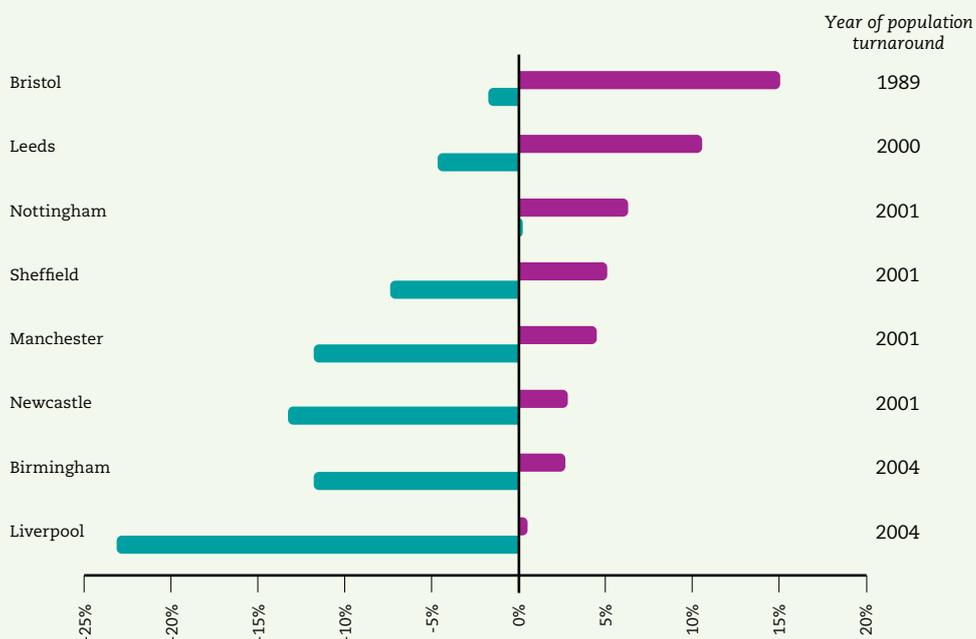


Figure 1: Population growth and decline in England's Core Cities (1979-2009)

Source: NOMIS (2010), mid-year population estimates

Jobs growth in Sheffield

Overall jobs growth in the city has been strong over the past decade and a half, with the number of jobs increasing by 22 percent between 1995 and 2008. This growth is above the national average and makes Sheffield one of the strongest performers of the Core Cities, with only Liverpool (22 percent) and Bristol (26 percent) seeing bigger increases.

The growth of Sheffield’s private sector between 1995 and 2008 was broadly similar to many other Core Cities, expanding by 14 percent between 1995 and 2008. However, the strength of Sheffield’s private sector recovery has fluctuated, with periods of expansion and periods of decline.

Sheffield saw slower private sector jobs growth than Bristol, Leeds, Manchester and Newcastle between 1995 and 2000, at an average annual rate of 1.2 percent (Figure 2). However, in the particularly buoyant period that followed, between 2000 and 2005, private sector jobs growth in Sheffield outstripped all of the other Core Cities, with an average annual growth rate of 2.2 percent.

More recently, Sheffield has seen a decline in the number of private sector jobs in the city. Between 2006 and 2008, private sector employment fell at an average annual rate of two percent, the biggest decline of the Core Cities during this time period. At the time of writing the data it is not yet available to follow the trajectory of private sector employment beyond 2008.³ There is no obvious, immediate explanation for the timing of this decline in jobs, and its longer-term significance will only become apparent when it is possible to take the period of the subsequent recession into account.

3. This time period is used because it is the longest for which comparable data is available.
 4. Experian (2011) *Updating the evidence base on English cities*, London: Communities and Local Government

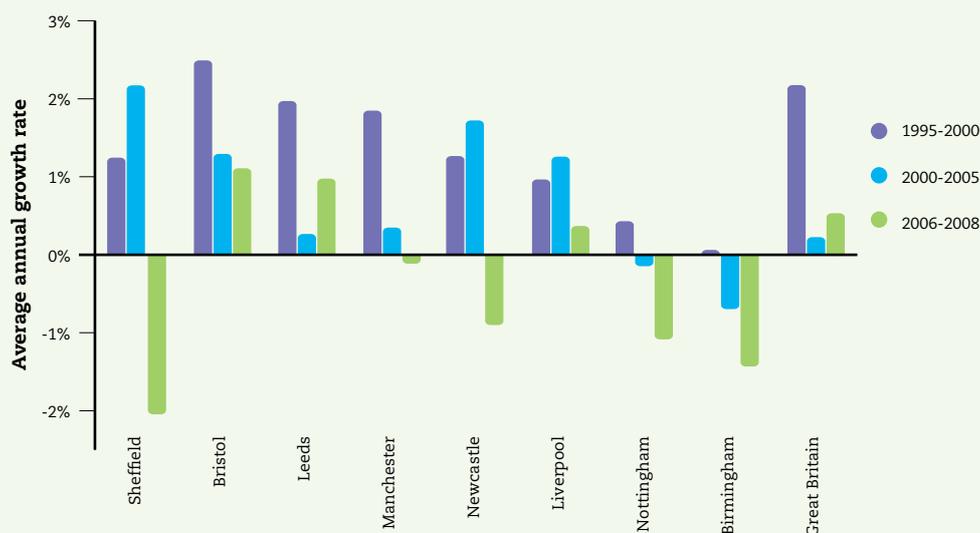


Figure 2: Sheffield private sector jobs growth (1995-2008)

Source: NOMIS (2010), Annual Business Inquiry

The 1995-2005 boom in Sheffield’s economy mirrored national and global macro economic conditions,⁴ aided by substantial government and European investment. However, analysis of the jobs created during this period also points to the importance of business service activities with over 16,000 – 45

percent – of the new jobs⁵ coming from ‘other business activities’.⁶ Retail, real estate activities and software consultancy were also big contributors. Sheffield’s partnership based approach to regeneration through Sheffield One and Sheffield First for Investment (since merged as Creative Sheffield) may be a significant factor behind this success.

Public sector jobs – those employed in public administration, education and health, and including university employment – were also an important factor in Sheffield’s growth. Public sector employment in Sheffield is 32 percent, with direct public sector employment – excluding the universities, GPs and further education – likely to be at least 25 percent of the economy.⁷ The city therefore needs to plan to replace likely public sector job losses which, applying the Office for Budget Responsibility’s assumptions, could be between 6,000 and 8,000 by 2014/15.⁸

Before the recession, in September 2007, the employment rate in Sheffield was only 68.7 percent, almost 4 percentage points below the national average (72.5 percent). However, Sheffield has since seen an improvement in its employment rate relative to the other Core Cities.

5. In total 37,500 jobs were ‘added’ at the 2 digit SIC code level.

6. This reflects the growth in call centres and other back office processing functions in Sheffield between 2000 and 2005.

7. This figure is taken from the BIS public / private experimental statistics, based on the national accounts definition of the public sector.

8. Centre for Cities (2011) *Cities Outlook 2011*, London: Centre for Cities



Despite the relatively robust jobs growth seen in Sheffield over the past decade and a half, the city’s economy still has challenges to meet – including a low employment rate and a weak demand for labour, as evidenced by the city’s modest average wages. These types of indicators suggest the effects of deindustrialisation continue to present challenges for the city on its journey towards a new economy.

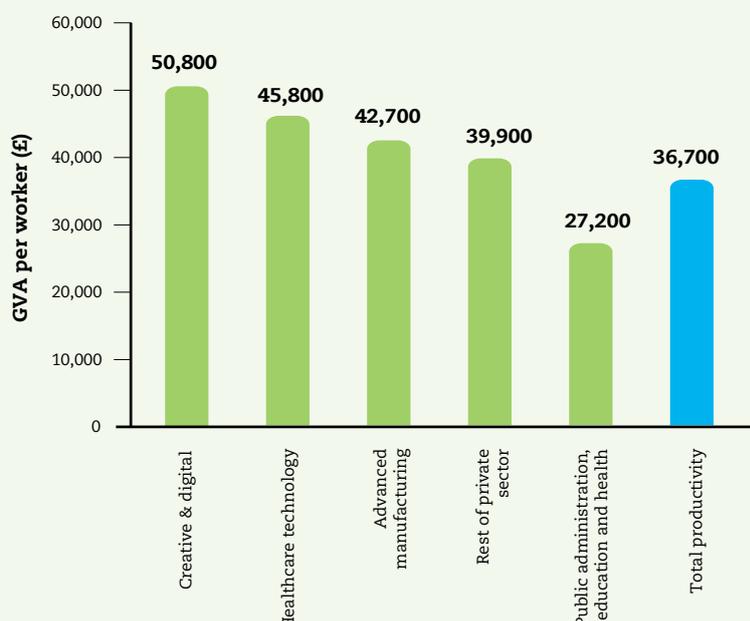
2. Sheffield's priority sectors

This section analyses what Sheffield can do to boost productivity and private sector jobs growth via direct business policies, and looks at how the city can most effectively support its priority sectors – advanced manufacturing, creative and digital and healthcare.

Employment in the priority sectors

Sheffield has identified sectors which it considers to be important to the city's future growth aspirations:⁹ advanced manufacturing, creative and digital and healthcare technologies.¹⁰ The three sectors currently contribute around 15.6 percent of Sheffield's employment, down 2.9 percentage points from 1998. This shrinkage has been caused by a fall in advanced manufacturing employment of 29 percent between 1998 and 2008. In contrast to advanced manufacturing, the creative and digital sector has been experiencing strong growth. In 2008, it contributed eight percent of Sheffield's total employment, up from five percent in 1998. The healthcare sector, although small, has grown very strongly, increasing as a share of total employment by half over the same period.

Although the priority sectors provide a relatively small proportion of overall employment, they are important in terms of their contribution to the city's productivity. All three sectors are more productive (Gross Value Added generated per worker) than the rest of the Sheffield private sector taken as an aggregate (Figure 3), so that the value generated by each worker in these sectors is higher than the Sheffield economy as a whole.¹¹ So while Sheffield's key sectors may not be a major source of jobs growth, public support that addresses market failures in the sectors could add value to the city's economy.



9. University of Sheffield & Sheffield Hallam University (2010) *New Industries, New Jobs: shaping the future of the Sheffield City Region economy*, Sheffield: Sheffield City Region

10. A fourth sector – low carbon industries – has also been identified but this sector is cross-cutting.

11. This is the only case for the rest of the private sector taken as a whole. Some sub-sectors of the economy, such as financial intermediation (£67,900), are more productive than the key sectors.

12. Calculations of the key sectors' productivity only amount to estimations based on value added of 15 industries at a NUTS 2 level across South Yorkshire. The productivity of the creative and digital sector may be overestimated, because of the large contribution of business services, and advanced manufacturing may be underestimated because it has not been possible to disaggregate the 'advanced' part of the sector from the rest of the industry.

Figure 3: Key sectors can add value to the economy (2007)¹²

Source: ONS (2010) Gross Value added by NUTS2 area; NOMIS (2010), Annual Business Inquiry

Advanced manufacturing is a key strength

Advanced manufacturing is the sector in which Sheffield currently has the greatest specialism and the area in which Sheffield is likely to retain a comparative advantage relative to other cities.

Figure 4 shows a selection of Sheffield’s sectors organised by recent growth in employment (y-axis), their specialisation in Sheffield (x-axis) and their total employment (bubble size). Advanced manufacturing (9) is clearly a comparative strength for the city with a location quotient of 1.8 – Sheffield’s share of employment in this sector is almost double the national average. Of the Core Cities, only Birmingham has a greater specialisation than Sheffield in advanced manufacturing.

The city council recognises that advanced manufacturing is unlikely to be a source of net jobs growth, but the value of the sector to the Sheffield economy means it is important that measures are taken to support its growth. The advanced manufacturing sector in Sheffield employs 24,900 people in 1,140 firms. Employment in the sector has declined by 29 percent from 39,300 in 1998, while productivity has soared.

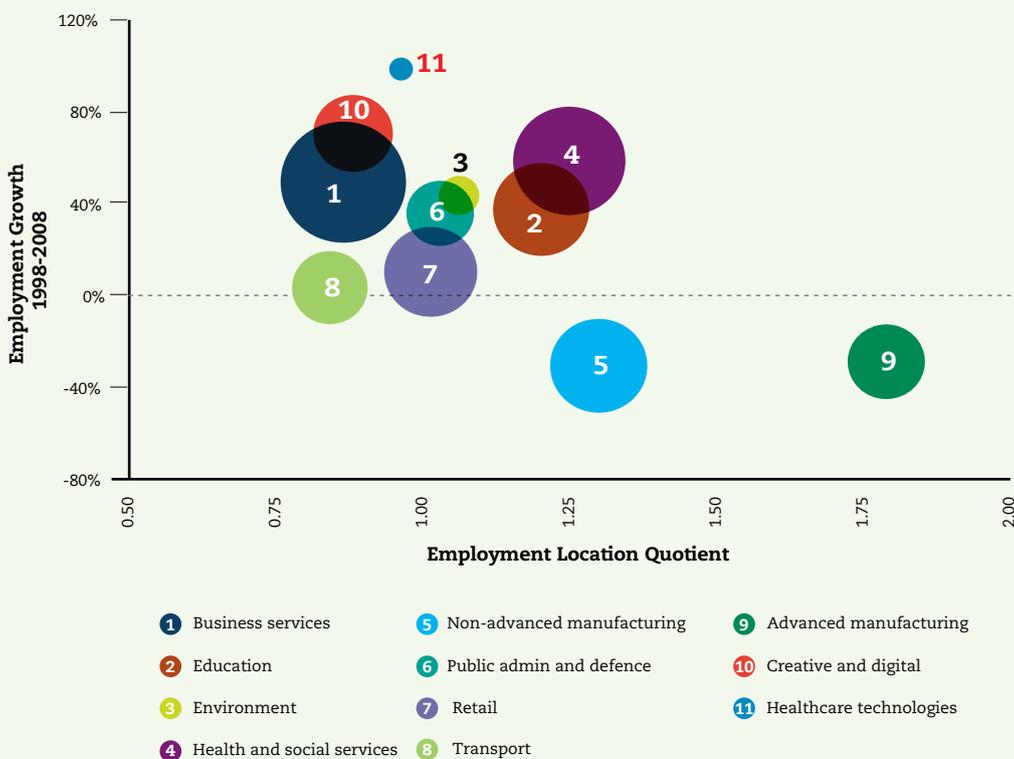


Figure 4: Advanced manufacturing is the strongest of the key sectors (1998-2008)

Source: NOMIS (2010), Annual Business Inquiry

The Sheffield City Region Local Economic Partnership (LEP) should take the lead in supporting Sheffield’s priority sectors to adopt approaches used effectively by international advanced manufacturers in cities. For example, Sheffield could learn from the city of Gothenburg which has developed a long-term, mutually beneficial partnership with Shanghai (Case Study 1). The LEP

could prove instrumental in forging international links, including with cities in countries such as China, where manufacturing jobs have moved over time, to help city firms sell knowledge and access export opportunities.

Gothenburg, twinned with Shanghai

Gothenburg, in Sweden, set up a twin city link with Shanghai over twenty years ago, a very prescient move in the light of the subsequent development of the global economy. The two cities have established a close understanding over this time between their administrative functions, and the relationship has focused on export promotion. While Gothenburg has ready access to the contacts needed to set up export links for Swedish firms, Shanghai has a foothold for Chinese business wanting to establish activities in Sweden, making a significant difference on both sides.¹³

Case Study 1:

Gothenburg, twinned with Shanghai

13. DAMVAD (2010) The City Regions Project, Denmark

Benefiting from the Technology Innovation Centre programme

The city should capitalise on the appointment of Sheffield's Advanced Manufacturing Research Centre (AMRC) as part of the consortium to run the new Technology and Innovation Centre (TIC) for High Value Manufacturing. The AMRC, and its sister facility the Nuclear AMRC, can underpin the future of advanced manufacturing in the city region.

The AMRC should also consider whether it could enhance its offer by deriving external funding from intellectual property rights and building up its international links, for example, by entering into a semi-formal partnership with comparable organisations abroad. Potential partners include two of the Fraunhofer Institutes in Germany (the model on which the TIC programme is based) – the Manufacturing Engineering and Applied Materials Research in Bremen and the Machine Tool and Forming Institute in Chemnitz – providing that these changes do not negatively impact on the AMRC's successful business model. The AMRC could also advise businesses on sell knowledge as well as products, as successfully pioneered by Porsche in Leipzig (Case Study 2).

Porsche Consulting, Germany

In the mid-90s the Porsche factory in Leipzig was in the doldrums, suffering the twin impacts of rising costs and falling sales. The business was turned around when management introduced new, more efficient production techniques and reviewed the company's relations with its suppliers. Porsche then realised that the expertise gained during the process of improving operations was a saleable commodity in itself, in demand from other manufacturing companies and suppliers. The company set up a consulting arm, which grew to become the largest consultancy in its field in Germany, successfully establishing a new income stream based on knowledge rather than physical goods.

Case Study 2: Porsche Consulting, Germany

Research and development is also an area where the TIC provides new levers for the city. The R&D intensity of a city's manufacturing sector can be analysed by weighting the employment by each sub-sector's R&D intensity (how much of the sub-sector's profits nationally are spent on research and development).

On this measure Sheffield's advanced manufacturing sector achieves a rating of 1.9, 36 percent less than the national average of 2.9. This demonstrates that the sector's current R&D spend is significantly lower than the national average, and changing this should be an AMRC priority. Taking advantage of the funding available as part of the TIC programme to bridge the gap between universities and business, the council should work with the AMRC to support advanced manufacturing firms to increase the intensity of R&D activity and make longer term research investments. TIC funding should be used to complement the forthcoming increases to R&D tax credit for SMEs.

Working with the creative and digital sector

The creative and digital sector has been at the heart of Sheffield's regeneration efforts, with the council putting significant effort into boosting the sector's profile. In 2008, the sector employed 26,900 people in 3,200 firms, making it slightly larger than the advanced manufacturing sector. Over the past decade the sector has undergone strong growth, outstripping the performance of comparable Core Cities and the national economy as a whole. Based on previous trends, it is likely that employment in the creative and digital sector will continue to grow in Sheffield.

However, as Figure 4 shows Sheffield does not yet appear to have a creative and digital specialism (10). The location quotient for this sector is 0.9, slightly below the national average. Nevertheless, the sector is already adding value to the Sheffield economy and may also offer benefits beyond jobs and productivity growth, such as changing the image of the city.

While there is certainly further growth potential for the creative and digital sector, this could be checked by the city's close proximity to Leeds and Manchester. The LEP should therefore co-ordinate links between the South Yorkshire Digital Region and its sector neighbours, especially MediaCityUK in Salford, to ensure their proximity is a source of knowledge exchange, and that the offer to creative and digital businesses in Sheffield complements nearby cities rather than competing directly with them.

The city council could also consider facilitating closer collaboration between the two universities, and with the firms working in the creative and digital sector. Sheffield's universities have complementary strengths relevant to the creative and digital sector, which could be leveraged via formal links. Sheffield Hallam has a strong arts, design, communications and technology faculty, but lacks a computer science department, an area in which the University of Sheffield has expertise. Closer joint working could take the form of a joint school or research centre.¹⁴ If considered beneficial to the universities, the council or LEP should consider financially supporting the collaboration.

14. This would need to draw on the advantages and disadvantages of university collaboration.

Sheffield's healthcare sector

The final sector that Sheffield plans to support is the healthcare technology sector. Like the creative and digital sector, healthcare technology has undergone strong growth during the last decade. The sector in Sheffield employed 2,400 people in 2008, or 0.7 percent of total employment. Employment in the sector is split between the manufacture of medical and surgical equipment (47 percent), the manufacture of pharmaceuticals and chemicals (20 percent) and R&D on natural sciences and engineering (33 percent).

While the sector has been undergoing growth, it is still very small. Given that there are strong crossovers between healthcare technologies, in the manufacture of medical and surgical equipment, and advanced manufacturing, support for the sector should be integrated with support to the advanced manufacturing sector. Both sectors will benefit from access to a skilled workforce, including the supply of apprentices, and the ability to draw on university resources and expertise to facilitate new design.

Ambitions for the sector also involve developing the role of digital communication technologies in the design and delivery of healthcare. Here the sector should develop links with the creative and digital sectors, particularly with future formal collaboration with the universities. This could provide a new source of knowledge exchange and innovation, sharing approaches to designing user experience between the two sectors.

Despite many close links between the healthcare and the Sheffield's universities, there is still scope for improvement. Sheffield has a significant potential research advantage with the Kroto Research Campus and the Centre for Biomaterials and Tissue Engineering at the University of Sheffield, and Sheffield Hallam's product design research programme. Productive working relationships exist between these departments and healthcare businesses, but not all firms in the sector have links to local universities, an area where city council co-ordination could increase competitiveness of the sector.

Firms in the sector are also likely to need help to access and negotiate NHS procurement contracts, an area of specialist support that the council is well placed to provide. This is an area of incredible complexity, and one that is likely to undergo further change with the Government's plans to move to GP commissioning. Assuming the planned health reforms remain intact, the council should work with emerging GP consortia and local hospital managers to improve companies' understanding and access of NHS markets.

Like the creative and digital sector, healthcare technology has undergone strong growth during the last decade

3. Sheffield's business environment

For Sheffield to increase private sector jobs growth and productivity, it is vital that the council's support for the city's key sectors forms part of a broader strategy designed encourage growth across the whole private sector economy.

This section looks at the characteristics of Sheffield's private sector economy in terms of its business demography. It identifies that the city's business base is less dynamic than many other comparable cities – a feature which could hold back economic growth. To improve the economy's dynamism the city council should use the wider drivers of growth – planning, skills and transport¹⁵ – as levers to support private sector job creation and improve productivity. Research suggests that a large amount of the spatial variation in businesses' performance can be described by key factors like the size and density of a city's workforce, the level of NVQ4 qualifications and quality of transport connections.¹⁶

Innovation and enterprise

A strong, engaged LEP is crucial to enabling co-ordinated action across the city region to attract firms and create private sector jobs by promoting innovation and enterprise. The LEP should take proactive ownership of the city region Strategic Economic Assessment report, ensuring a strategy is developed to distinguish Sheffield's business offer from neighbouring city regions. For example, the LEP should consider establishing a fund, based for example on the Manchester Innovation Investment Fund model (Case Study 3), to finance measures for improving access to a skilled workforce and building business to business links. Although the funding routes used in Manchester are no longer available, the LEP should seek alternative funding from new mechanisms such as TIF, which is ideally suited to long-term investment in measures to grow business.

Manchester Innovation Investment Fund

Manchester City Council, in partnership with the North West Regional Development Agency and NESTA, runs the Manchester Innovation Investment Fund which finances new kinds of innovation which contribute to networking, collaboration, creativity and culture, policy development and the physical infrastructure in the city. With a budget of £7 million over three years, the foundation has supported twenty-five pilot projects that have all been aimed at designing and testing new ways of innovating.¹⁷

15. Swinney P, Larkin K & Webber C (2010) *Firm Intentions: Cities, Private Sector Jobs and the Coalition*, London: Centre for Cities

16. MIER (2009) *The Case for Agglomeration Economies*, Manchester: AGMA

17. DAMVAD (2010) *The City Regions Project*, Denmark

Case Study 3: Manchester Innovation Investment Fund

Sheffield City Region LEP has established an Enterprise Zone – the Modern Manufacturing and Technology Growth Area (MMTGA) – linking sites along the M1. It has the potential to make the area significantly more attractive to business. To help maximise potential, the zone should offer labour market support. This will ideally be an individual dedicated to linking jobs to firms, and skills needs to the labour market, in collaboration with JobCentrePlus and the Work Programme.

The LEP should see this zone as the start rather than the end of the process, and extend the benefits beyond a single zone with a plan for the medium to long-term. The Enterprise Zone will create a new source of revenue by allowing the councils within the Sheffield City Region LEP to retain uplift in Corporation Tax generated by business growth. This additional revenue should be reinvested in measures to promote further growth, for example by funding further Enterprise Zones over time to attract businesses to other areas of the city, or by encouraging and supporting the development of supply chain clusters, helping suppliers to locate nearer to customers and to sources of knowledge.

Tackling derelict land

One of the key challenges for post-industrial cities is dealing with vacant properties and derelict land, often caused by deindustrialisation and population decline. Sheffield still has a large amount of vacant or derelict land and buildings, the eleventh largest amount per capita, more than double the English cities' median (Figure 5).

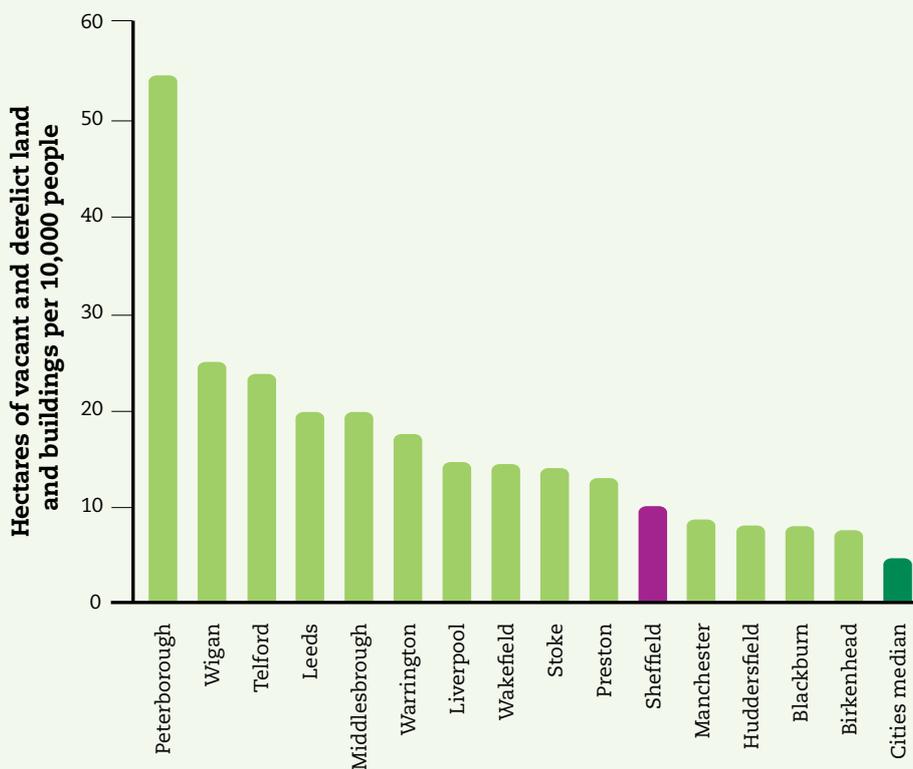


Figure 5: Vacant and derelict land and buildings per capita

Source: ONS, Neighbourhood Statistics

The LEP should take a leading role in using the city region spatial plan to creatively address the issue of disused ex-industrial and housing land, recognising that it may not be possible to redevelop all disused land. The plan should aim to manage those areas that have experienced decline in demand through community leadership and engagement, avoiding one size fits all solutions. It should consider how disused sites can become assets and create social benefit, for example by reconfiguring as green space to form part of a city-wide green infrastructure network, or by adapting buildings as community resources.

The city council should look for inspiration to places where the contraction of heavy industry has been used to create space for new uses, such as Germany's Emscher Landschaftspark (Case Study 4). The Enterprise Zone designation should be seen as an opportunity to set new ambitions for derelict land, not only through industrial development but also by using the zone to fund wider environmental improvements over time such as green infrastructure.

Emscher Landschaftspark, Germany

Germany's Ruhr Valley was once the industrial heart of Europe, its largest steel and coal producing area. Heavy industry began closing in the 1960s and by the end of the 1980s the sub-region was suffering from high unemployment and depopulation. In 1989 a 10-year programme was set up by the 17 separate local authorities to deliver an ecological, economic and social development strategy. The programme reinvented ex-industrial land and buildings, linking towns and cities through a 70km landscape park, creating new venues and features from disused structures, and successfully transforming the identity and economic prospects of the area. The programme was delivered through existing domestic and European funding sources rather than new money.

Case Study 4: Emscher Landschaftspark, Germany

Excel on planning

Sheffield has an efficient and effective planning and development function, involving both Creative Sheffield and the city council. The most recent data shows that nearly 75 percent of major planning applications are decided within 13 weeks, a greater proportion than in all but one of the core cities. However, Sheffield should not rest on its laurels. The city council should take advantage of forthcoming planning reforms to establish a highly competitive position, attracting business to the city through the efficiency of its planning policy. It should improve on this record to attract new development activity to the city, and ensure that it promotes this advantage to potential investors.

18. A similar analysis of retail space prices confirms the continuing more severe undersupply of retail space in Sheffield (indicated by high prices), underlining the need to develop the city centre's retail offer.

Office space in Sheffield

Having an extensive and high quality business space offer is an important factor for encouraging business growth in a city. And, relative to other comparable cities, Sheffield still has a significantly lower supply of commercial office space. For example, of the Core Cities only Nottingham has less commercial office space than Sheffield.

There appears to be a small overall undersupply of office space in Sheffield.¹⁸ As has previously been identified by other studies, there appears to be a shortage of quality Grade A office space in the city centre suitable for large companies. Interviews suggest that there would be demand for this space from existing businesses if it was built. This suggests that ensuring that there continues to be land available for Grade A and other high quality developments in the city's core could be a useful area for the council and Creative Sheffield to focus its pro-growth efforts.

Sheffield needs to promote the right office development in the right places. Development should be focused on Grade A space in the city centre, rather than on the peripheries, to fulfil the potential of the physical improvements that have already been made to Sheffield's public realm. The cross-city region accessibility of the centre is also an advantage. The quality of the business space offer should be upgraded to match that of the public realm.

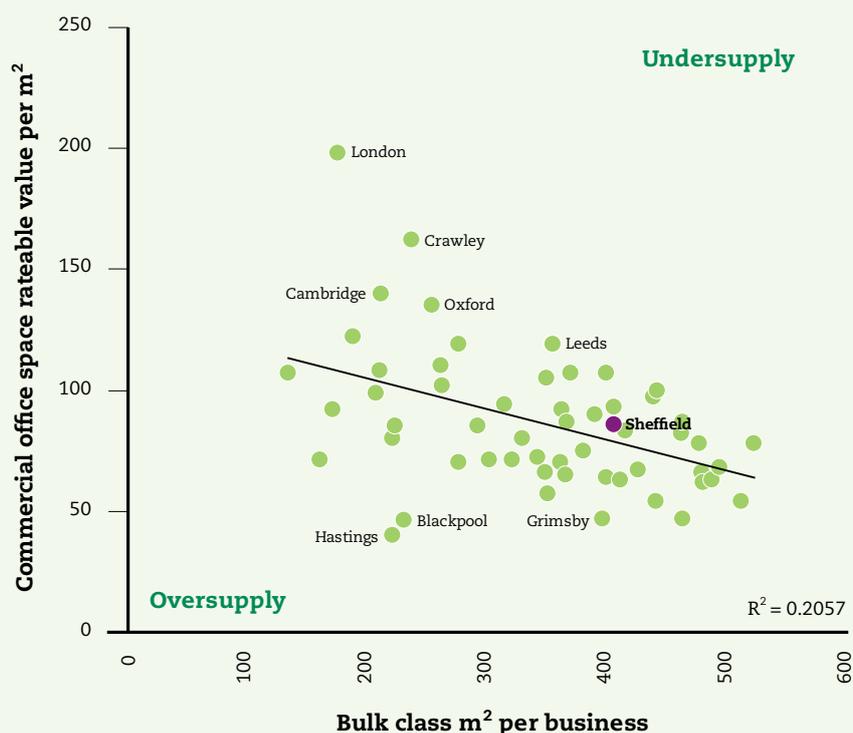


Figure 6: Supply of office space in England's cities (2008)

Source: Valuation Office Agency; Annual Business Inquiry

Raise Sheffield's ambitions for skills to the next level

Compared with the other Core Cities, Sheffield's skills profile is relatively favourable. Only two of the Core Cities have a smaller pool of people without any qualifications, while three cities perform more strongly in terms of the number of people with a degree level (NVQ4+) qualification (see Figure 7).

However, against some of the more successful Core Cities, like Bristol and Leeds, Sheffield does less well in terms of the proportion of its residents with a degree level qualification: 27.7 percent of the population had an NVQ 4 level qualification or above in 2009 compared to 32.2 percent in Bristol. Setting the highest ambitions, Sheffield is also considerably behind the most successful city economies like London, Brighton and Reading (Figure 7).

Sheffield has also seen an improvement in recent years at the lower end of the labour market. The proportion of the city's residents with no qualifications fell from 16.6 percent in 2008 to 12.4 percent in 2009, bringing the city in line with the national average – a significant achievement. This has been achieved as a result of a range of policy interventions and a variety of other programmes funded via the Working Neighbourhoods Fund, the New Deal for Communities and the Sheffield First Agreement (Sheffield's Local Area Agreement).

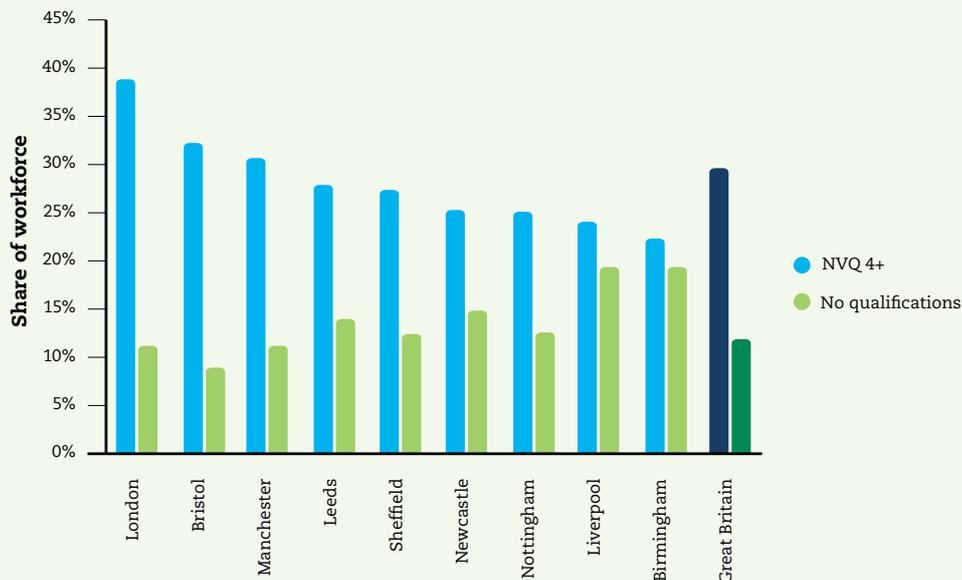


Figure 7: Sheffield's skills profile (2009)

Source: NOMIS (2010), Annual Population Survey

Ultimately, if Sheffield is to boost its economic performance it needs to continue to increase the proportion of its residents that hold a qualification at these higher levels, by encouraging participation in higher education and fostering business demand.

The city council should continue to prioritise these interventions, co-ordinating with the LEP, Jobcentre Plus, and the Work Programme providers for South Yorkshire. It will be important to engage with and influence Work Programme providers to ensure their priorities are reflect the city's job priorities and wider economic development plans, and that the new system does not undermine successful existing relationships with local employers.

The council should consider designing joint, innovative approaches with Jobcentre Plus to help the long term unemployed into work. These could include pre and post-Work Programme services, or working with Sheffield employers to replace formal interviews with "on-the-job" assessment based around trial periods.

The LEP can play an active role in tackling skill shortages. It should build on the role played successfully by Creative Sheffield by actively co-ordinating specialist training programmes for advanced manufacturing firms in the city, to address current and likely future skills shortages. The LEP should also secure apprenticeship accreditation powers and invest in marketing apprenticeships in advanced manufacturing to school leavers. Firms with similar skills needs, especially SMEs, could also be helped to form partnerships to co-ordinate the training they provide to lower skilled school leavers.

Use new financial mechanisms to invest in Sheffield’s transport infrastructure

Sheffield is currently a fairly uncongested city. Compared to the other Integrated Transport Authority (ITA) areas, congestion in South Yorkshire was the same as the ITA average in 2008/09 (with a journey time of 3.53 minutes per mile during the morning peak). Conditions were also improving relative to 2005/06 (Figure 8).

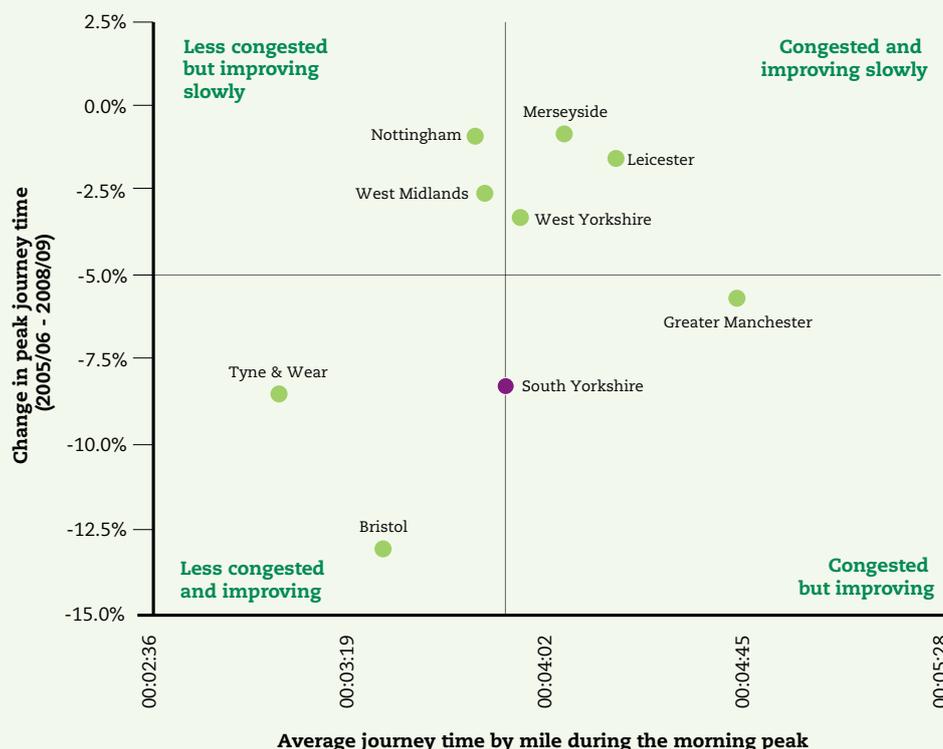


Figure 8: Sheffield is currently not a congested city (2005/06 - 2008/09)

Source: Department for Transport

Infrastructure improvements in recent years, such as those to the inner ring road and the main station, have helped to ease transport issues in the city. However, despite its relative lack of congestion, Sheffield should set medium to long-term ambitions by planning for the potential future economic implications of increased congestion. If the city continues to grow it is likely to become more of a constraint. The city council, working with the ITA, should look at the potential for managing demand, considering the full range of available approaches from parking policies to road user charging.

Sheffield continues to suffer from falling bus patronage. The number of bus passenger journeys in South Yorkshire declined by 10.5 percent between 2002/03 and 2007/08.¹⁹ Priorities should include addressing falling bus usage through promoting bus use in Sheffield, and by investing in improvements to bus services. There should be a particular focus on services which provide the only access to employment for those without a car living furthest from the centre of the city region. The city region’s councils should use new powers allowing local authorities to make agreements with bus companies to tackle co-ordination, fares and reliability issues.

Because of the economic importance of relationships between cities,²⁰ it is also important to improve rail links, as the City Region Transport Strategy recognises. The city council and ITA should continue to work to improving travel times and, where possible, increasing capacity. Increasing the service frequency and journey times between Sheffield and Manchester, and increasing capacity between Sheffield and Rotherham, should be priorities.

The LEP (which should include South Yorkshire Passenger Transport Executive) should take a leading role in delivering the city region transport strategy once it is finalised, and in exploring financing options that partner public and private sectors. Improvements to transport infrastructure could be funded in new ways. The availability of Tax Increment Financing (TIF) within Enterprise Zones, and the potential for it to be made more widely accessible, offers an important new route to fund infrastructure investments. TIF could be used to invest in improvements identified by the Sheffield City Region Transport Strategy which would not otherwise be financed, as in Leeds where it is hoped TIF will fund the New Generation Transport trolleybus scheme, or in Edinburgh where the Scottish Government is using TIF to kick start regeneration (Case Study 5).

Edinburgh Waterfront TIF

The Scottish Government has used its devolved powers to pioneer the use of TIF in the UK. The first TIF scheme in the country was approved for Edinburgh in 2010, to finance the building of a cruise liner terminal and related infrastructure at Leith Docks, including harbour gates, a pier, a new link road and a public esplanade. By borrowing against future uplift in income from the expected growth in business, Edinburgh City Council intends to borrow £84 million which it predicts will unlock £660 million of private investment and create 4,900 jobs.

Case Study 5: Edinburgh Waterfront TIF

4. The role of the universities

Sheffield's two universities – the University of Sheffield and Sheffield Hallam University – are a major strength for the city, contributing both economic and social benefits. Combined, the universities have around 44,100 full time students and a further 14,400 part time students giving an overall student population of 58,500 students (seven percent of the total population). The universities also employ almost 10,000 people.

The universities are also an important source of knowledge for the city's private sector, creating substantial commercial value. Sheffield needs to make sure that it makes the most of this resource, working with the universities to improve their business offer, particularly in the provision of Continuing Professional Development.

Positive university engagement with the local small business base

Relative to the other cities, Sheffield's universities do fairly well on engaging with small and medium enterprises (SMEs). This is important because SME interactions are more likely to benefit the local economy. However, typically smaller firms find it more difficult to work with universities.

Between 2004 and 2008, 25 percent of Sheffield's universities' commercial income came from SMEs (Figure 9). This was slightly above the university cities group average of 22 percent. But Sheffield's performance was behind Birmingham (29 percent) and Liverpool (44 percent). This suggests that while Sheffield is doing well in this area, there could be scope to improve access for SMEs. Expanding the University of Sheffield's Engineering Gateway could be a way of achieving this goal.

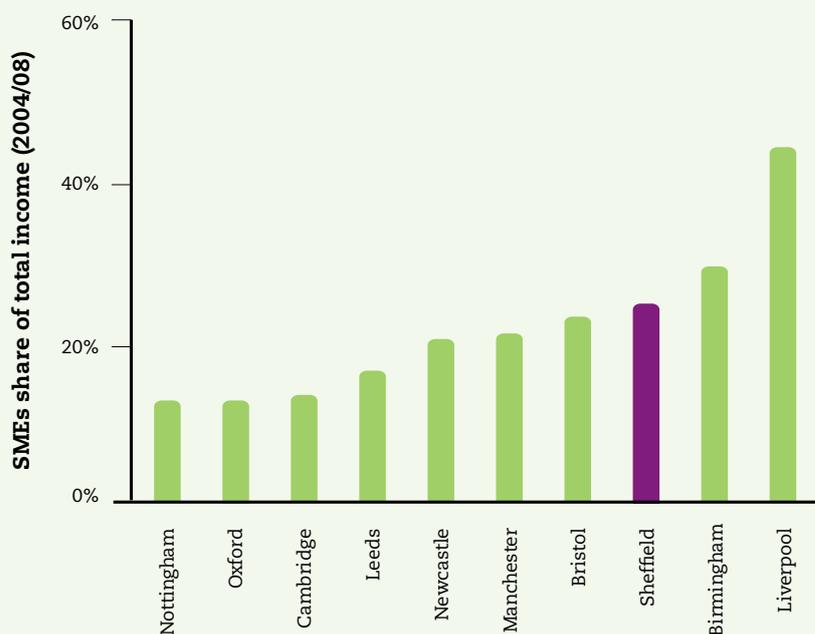


Figure 9: Sheffield's universities do well on generating income from small and medium enterprises (2004/08)

Source: HEFCE, Business and Community Interaction Survey, 2007/08

19. Preston J, Marshall A & Tochtermann L (2008) *On the Move: delivering integrated transport in Britain's cities*, London: Centre for Cities
 20. Centre for Cities, Work Foundation and SURF (2009) *City Relationships: economic linkages in Northern city regions – Sheffield City Region, Newcastle Upon Tyne: The Northern Way.*

Sheffield's universities also perform fairly well on the number of businesses that they have created, with the second highest number of active spin-outs of the university cities group in 2007/08. However, this was only a small percentage of the total number of active firms in Sheffield. This highlights the need to recognise the limits of the direct role that the universities can play in boosting the local business base. ²¹

The LEP should lead the creation of closer partnerships between academia and business, particularly SMEs, to help generate income streams from intellectual property to counter-balance the continuing decline in manufacturing employment. This should involve ensuring that businesses have access to research expertise at the universities and to business leadership advice and support. For example, the LEP should support the development of Sheffield's Engineering Gateway. Sheffield's Engineering Gateway has increased access for SMEs to engineering resources at the University of Sheffield and will now be expanded to other departments at the university. The LEP could help market the programme to businesses across the city region, and act as a broker for local businesses looking to access research.

21. It could be the case that, while the number of new businesses is relatively small, that the businesses created are more productive than comparable non-university start ups. Unfortunately, the available statistics do allow for this analysis to be undertaken.



The LEP should also consider how it can work with the universities to improve their continual professional development offer to business, for example by providing a single point of contact to streamline contact and negotiation. The LEP could also play an important role in helping the universities create stepping stones for students to move into the business environment by facilitating the provision of city centre workspace at low rents, currently a barrier to linking academic research to business success.

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