

## Report of the Director of Children's Services

### Report to Executive Board

**Date: 8 February 2017**

**Subject: The proposed Retail and Hospitality Skills Centre of Excellence**

Are specific electoral wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, name(s) of ward(s):		
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number:		
Appendix number:		

### Summary of main issues

1. Leeds ranks as the third highest destination for retail spend in England outside of London, and just outside the European top 20, with an ambition to move higher in the rankings following last year's opening of the 42,000m<sup>2</sup> Victoria Leeds retail and leisure development. This builds on the momentum gathered through recent major investments, most notably the Trinity Leeds centre and the ongoing expansion of the White Rose Shopping Centre.
2. The retail sector is already one of the largest employers in the city and the Leeds City Region. Employment in Leeds alone in the wholesale and retail sector and the accommodation & food services sector is forecast to grow by 12% and 13% over the next ten years, a rate higher than the average employment growth rate for the city, which itself is higher than the rate for the UK and our core city peers. Between 2014-2024 there are projected to be c. 18,000 job openings in the city region in customer service roles (net) and 32,000 in accommodation and food.
3. While the rapid growth of the retail and hospitality industry is a success story the city should be proud of, there are significant challenges for both employers seeking to attract and retain employees at a range of levels, and for residents seeking to access relevant skills and training and to compete for jobs in the industry. Over 25% of customer service employers in the Leeds City Region report they are facing skills gaps when it comes to their workforce.
4. This report sets out the Council's ambition, in partnership with the business community through the Leeds Business Improvement District (the Leeds BID), to tackle these challenges through the creation of a Retail and Hospitality Skills Centre of Excellence.

The Centre will meet the needs of both residents and employers through the provision of high quality, employer led training and skills for new entrants and current employers within the industry, improving progression opportunities and productivity, and through the provision of a recruitment brokerage service for employers which accesses talent within our communities.

5. The proposals set out in this report contribute directly to our ambitions to enable all of our residents to benefit from a strong economy in a compassionate city, and in particular, to the Best Council Plan outcome for everyone in Leeds to earn enough to support themselves and their families and the Best Council Plan priorities around providing skills programmes and employment support and supporting economic growth and access to economic opportunities. They also support our ambitions to be a NEET-free city and a city where children and young people can grow up to lead economically active and rewarding lives.

## **Recommendations**

6. Executive Board is asked to support the decision to enter into partnership with the Leeds BID to create a Retail and Hospitality Skills Centre of Excellence, approve the initial stage of a business planning and sustainability study to be delivered by March 2017, and the commitment of a maximum of £195,000 of Council funding subject to the outcome of the study.
7. Executive Board is asked to note that the officer responsible for the implementation of this decision is the Head of Employment Access and Growth.

## **1 Purpose of this report**

- 1.1 This report sets out the Council's ambition, in partnership with the business community through the Leeds Business Improvement District (the Leeds BID), to tackle these challenges through the creation of a Retail and Hospitality Skills Centre of Excellence. The Centre will meet the needs of both residents and employers through the provision of high quality, employer led training and skills for new entrants and current employers within the industry, improving progression opportunities and productivity, and through the provision of a recruitment brokerage service for employers which accesses talent within our communities.

## **2 Background information**

### *Sector growth – opportunity and challenge*

- 2.1 Leeds ranks as the third highest destination for retail spend in England outside of London, and just outside the European top 20<sup>1</sup>, with an ambition to move higher in the rankings following last year's opening of the 42,000m<sup>2</sup> Victoria Leeds retail and leisure development. This builds on the momentum gathered through recent major investments, most notably the Trinity Leeds centre and the ongoing expansion of the White Rose Shopping Centre.
- 2.2 The retail sector is already one of the largest employers in the city and the Leeds City Region. Employment in Leeds alone in the wholesale and retail sector and the accommodation & food services sector is forecast to grow by 12% and 13% over the next ten years, a rate higher than the average employment growth rate for the city, which itself is higher than the rate for the UK and our core city peers. Between 2014-2024 there are projected to be c. 18,000 job openings in the city region in customer service roles (net) and 32,000 in accommodation and food. This presents a significant opportunity for residents in the city.
- 2.3 While the rapid growth of the retail and hospitality industry is a success story the city should be proud of, there are significant challenges for both employers seeking to attract and retain employees at a range of levels, and for residents seeking to access relevant skills and training and to compete for jobs in the industry. For example, over 25% of customer service employers in the Leeds City Region report they are facing skills gaps when it comes to their workforce.
- 2.4 There are also concerning trends relating to the take up of skills and training by potential entrants to the sector. In apprenticeships, to take one example, while apprenticeship starts in general and across a number of subject areas in particular have seen a decline in starts in recent years, Retail and Commercial Enterprise has been one of the most notable, with 1,100 starts in the city in 2015/16, 35% fewer than in 2011/12 (1,700).
- 2.5 The Leeds City Region (LCR) Local Enterprise Partnership (LEP) Labour Market Analysis (2016/17) mapped the profile of FE and apprenticeship achievements against where future job openings will occur based on labour market projections and the regional econometric model, revealing that education and training achievements (which broadly equate to mainstream further education) did not align with labour market demand in many subject areas. Retail and Commercial Enterprise is one of

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<sup>1</sup> Europe's Retail Centres Ranked, <http://www.costar.co.uk/en/assets/news/2016/March/Europes-retail-centres-ranked/>, accessed 5<sup>th</sup> January 2017

those areas, where the forecast is that 17% of jobs will occur, but only 12% of educational achievements will occur.

- 2.6 Our experience in working with employers and residents in the sector is significant, and echoes these quantitative trends. The Employment and Skills service has recently supported recruitment for the John Lewis Leeds store, as well as other retail and food and beverage businesses in the Victoria Leeds development. The service has also hosted a jobs fair at the White Rose Shopping Centre, which supported over 250 people into work, and a wide range of comparison and convenience goods retailers with recruitment activity across the city, often working in partnership with Jobcentre Plus. In total, the service has helped employers in the sector recruit over 1,000 members of staff in 2016-17. Much of this recruitment activity is targeted on residents in our most disadvantaged wards, working through our network of Job Shops.
- 2.7 The service also supported the 'Big Hospitality Conversation', an annually staged national event bringing together employers in the hospitality sector with potential aspirant employees, particularly young people, held for the first time in Leeds in November 2016.
- 2.8 Looking ahead, we are already engaging with a number of employers in the sector, ranging from local companies to multi-national retailers, and located across major developments such as the White Rose Shopping Centre and the Thorpe Park retail development, to out of town/district centre sites. Our understanding of the pipeline of employment opportunities emerging from this continued growth of the sector is comprehensive and probably unique.
- 2.9 Our work with this sector has highlighted some serious issues around existing and potential future skills gaps and shortages. The sector is exposed to EU migrant labour and may face challenges in recruiting skilled staff should the decision to leave the European Union end or curtail the freedom of movement for EU Nationals.
- 2.10 While an increasing number of employers in the sector do not require specific levels of education (The John Lewis Partnership, for example), softer skills such as customer service skills, working as a team, communication and so on are important to employers and form a critical requirement of many roles, especially those that are customer facing. Our experience suggests that potential candidates are lacking many of these skills and behaviours and are therefore limiting their potential for employment or progression within the sector should they be able to secure entry or low-level jobs.
- 2.11 It is also the case that, for an increasing proportion of applicants, a poor level of spoken and written English is hindering their employment potential. This was clearly evident in a recent recruitment exercise for a national comparison goods retailer seeking to recruit to a number of customer facing roles in a number of stores in the city.
- 2.12 The Leeds BID have also kindly shared with the Council findings from a recent study commissioned to look at the range of business activity taking place within the BID area, and some of the issues around recruitment and retention of staff among BID members. For those members in the retail and hospitality sector, the results show a significant level of concern around the attractiveness of the sector, including prospects for career development and progression, and challenges around wages.

- 2.13 The sector also faces challenges around productivity. Research by the Institute for Public Policy Research<sup>2</sup> states that since 2011 around half of the UK's productivity slowdown can be accounted for by shifts in the structure of the economy away from high-productivity sectors such as manufacturing, and towards those characterised by low productivity, such as accommodation and food, and that the UK's low-wage sectors are less productive than their equivalents in western Europe. This represents a serious drag on the UK's economic performance. Low-wage sectors generate a significant fiscal cost, accounting for 48 per cent of working tax credit expenditure, despite them employing only 26 per cent of the workforce (FRS 2013/14). Raising productivity and pay in these businesses could therefore contribute towards reducing the benefits bill and eliminating the deficit.
- 2.14 The high prevalence of low-paid work in these sectors also contributes to economy-wide measures of pay inequality. Workers in key low wage sectors such as hospitality, catering, retail and residential care are the most likely to be in working poverty (Cribb et al 2013). The 90/10 ratio, comparing the earning powers of those in the highest 10 per cent of earners (above the 90th percentile) with those in the bottom 10 per cent, would be reduced from 3.5 to 3.1 in the absence of low-wage sectors (ONS 2015). And, given that low-wage sectors employ a disproportionate number of women at low levels of pay, improving pay and productivity in the low-wage sectors would improve average pay for women.
- 2.15 It is important to note that the sector itself has work to do to increase its attractiveness to potential employees, to counter some of the perceptions around staff and workforce opportunities, and to increase productivity. The intervention proposed here should not be seen as a universal panacea for the challenges that the sector faces, but as a targeted approach that will enable residents to access and compete for a wider range of opportunities, and enable the sector to grow (including the potential for wage appreciation) as the supply of skilled labour increases. Nevertheless, there are clearly significant issues around skills supply and shortages which are within our remit and capacity to influence through the creation of the Retail and Hospitality Skills Centre for Excellence.

### **3 Main issues**

#### *The scope of the Centre*

- 3.1 Currently there is no central provision for retail and customer services businesses to access a pool of job ready applicants, nor for job seekers who are interested in a role in the sector to access skills development and training and a gateway to vacancies. The provision of appropriate skills training is also fragmented and not sufficiently responsive to employer demand. These are the issues that the development of a Retail and Hospitality Skills Centre of Excellence would address, through the provision of three services to residents and businesses:
- A programme of employer led, flexible and blended training and skills development, supporting potential new entrants to the sector and current employees, developing their potential to progress within the sector, with a focus on residents in our most disadvantaged communities;

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<sup>2</sup> Thompson S, Colebrook C, Hatfield I and Doyle P (2016) Boosting Britain's low-wage sectors: A strategy for productivity, innovation and growth, IPPR. <http://www.ippr.org/publications/boostingbritains-low-wage-sectors-a-strategy-for-productivity-innovation-and-growth>

- Employer liaison to maintain up to date intelligence of emerging opportunities, skills and employment pressures, and inform the ongoing design and provision of appropriate training and skills development; and
  - Employer brokerage to match candidates in the Centre's 'talent pool' with employer opportunities, and providing a recruitment service from drafting job descriptions to sifting applications and supporting interviews, with a focus on enabling residents in our most disadvantaged communities to access and compete for opportunities.
- 3.2 It is envisaged that Centre would support up to 1,000 participants per annum to acquire the skills to secure entry level roles and progression opportunities.

*A partnership with the private sector*

- 3.3 The Council, through leading the Commission for the Future of Local Government, set out a vision of civic enterprise – where local government is more enterprising, and the business community more civic and engaged, collectively in the service of residents. The creation of the Retail and Hospitality Skills Centre for Excellence is a prime opportunity to model these values.
- 3.4 The business community, and particularly retail and hospitality employers, recognise that not only are the challenges outlined above a threat to their specific prospects for growth, but that they collectively constrain the growth of the city in economic and social terms. In response, the Leeds BID, which represents some 900 businesses principally in the city centre, has committed to enter into partnership with the Council to co-fund and develop the Centre, including potentially the provision of a physical base, in its first year of operations, with a view to achieving future financial sustainability through commission/subscription for some elements of the services offered.
- 3.5 In addition to this contribution to the funding and development of the Centre, the Council considers it appropriate for the management and direction of the Centre to rest with the business community through the Leeds BID. This reflects the importance of employer ownership of the skills agenda, and will ensure that the skills development and training offered by the Centre is fully reflective of employer needs.
- 3.6 An advisory board consisting of business representatives, chaired by a member of the Leeds BID, will be created to guide the development of the Centre and then operations. The management of the centre will be accountable to this board. The Council will hold two seats on the advisory board, through the Executive Member for Employment, Skills and Opportunity and the Head of Employment Access and Growth.
- 3.7 Further advice on governance will be sought from colleagues in the Council's Legal Services as part of the detailed business planning phase.

*Business and financial sustainability planning*

- 3.8 While the rationale for the creation of the Centre is clearly established, a more detailed process of business planning is considered by both partners to be essential to ensure a robust and future-proofed intervention, including financial sustainability. This will include a detailed analysis of the potential throughput of customers, including the appropriate approach to procuring skills provision, and the level to which funding for training can be drawn down by providers. It is anticipated that the majority of provision is likely to be aimed at jobseekers, and therefore can be drawn down by a properly

accredited provider from the Skills Funding Agency and the Education Funding Agency. For training for existing employees, or specifically developed training to respond to employer need, a commercial full-cost recovery approach will be implemented. For smaller businesses this has the potential to be match-funded through the LEP Skills Service.

- 3.9 Initial estimates, based on a review of operating models elsewhere and scoping of local demand, suggest annual running costs in the region of £200,000, covering staff costs and premises where appropriate.
- 3.10 To fully test these assumptions and ensure the financial sustainability of the proposal, Executive Board is asked to support a two stage approach to the creation of the Centre, involving a business planning process which, subject to satisfaction, would then trigger the full development stage.
- 3.11 Based on similar exercises, an allocation of £10,000 for the business planning process has been identified. This will be co-funded by the Leeds BID (leaving the Council's contribution as £5,000), who will lead the procurement and appointment of a contractor, with input from the Council. It is important that this business planning stage commands credibility with the business community, hence the leadership of the BID, but also that the Council is satisfied that the outcome will provide best value for money for public funding.
- 3.12 Subject to satisfaction with the outcomes of the business planning process, the Council would then contribute the full allocation of up to £195,000 (see Section 4.4). This would act to pump prime the creation of the Centre, establish operations including staffing, and secure initial sustainability.

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 Businesses (especially within the retail and hospitality sector) and business representative organisations including the Leeds BID and Leeds Chamber of Commerce have been consulted extensively and contributed to the development of this proposition. Providers of skills development and training services have also been consulted on their views of the skills challenges facing the sector and the city more widely.

### **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 The creation of the Retail and Hospitality Skills Centre for Excellence will increase the opportunities for residents from all backgrounds to acquire and enhance their skills in order to enter or progress within the industry. It will particularly focus on the creation of improved pathways into industry for those residents in our most disadvantaged communities.

### **4.3 Council policies and best council plan**

- 4.3.1 The vision of the Best Council Plan 2015-2020 is for Leeds to be a compassionate and caring city that helps all its residents benefit from the effects of the city's economic growth. The creation of a Retail and Hospitality Skills Centre of Excellence for the city, which will respond to recent and continuing growth in the sector, will help us to meet

those goals, including the Best Council Plan outcome for everyone in Leeds to earn enough to support themselves and their families, and Best Council Plan priorities around providing skills programmes and employment support and supporting economic growth and access to economic opportunities. They will also support the Council's ambition to be a NEET-free city and city where children can grow up to lead economically active and rewarding lives.

#### **4.4 Resources and value for money**

- 4.4.1 Funding for the creation of the Retail and Hospitality Skills Centre of Excellence will be drawn from funds generated by fee income from the Council's Adult Learning Programme, which is ringfenced to skills provision by the Skills Funding Agency.
- 4.4.2 This will be enhanced by the support of the Leeds BID, enabling the proposal to proceed where otherwise it would be impossible, demonstrating the support of the business community for the proposal, and ensuring financial sustainability.
- 4.4.3 Studies of equivalent bodies elsewhere demonstrate a strong value for money case and return on investment.

#### **4.5 Legal Implications, access to information and call In**

- 4.5.1 There are no significant legal issues relating to the recommendations in this report. This report is eligible for Call-In.

#### **4.6 Risk management**

- 4.6.1 Risk management plans will be put in place to identify and address risks to delivery. The advisory board will be responsible for all governance and risk issues.

### **5. Conclusions**

- 5.1 This report sets out the rationale for the creation of a Retail and Hospitality Skills Centre of Excellence for the city, which will respond to recent and continuing growth in the sector, enable more of our residents to access appropriate skills development and training, and access and compete for job and apprenticeship opportunities, and support businesses with their growth ambitions through brokerage and recruitment services.

### **6. Recommendations**

- 6.1 Executive Board is asked to support the decision to enter into partnership with the Leeds BID to create a Retail and Hospitality Skills Centre of Excellence, approve the initial stage of a business planning and sustainability study to be delivered by March 2017, and the commitment of a maximum of £195,000 of subject to the outcome of the study.
- 6.2 Executive Board is asked to note that the officer responsible for the implementation of this decision is the Head of Employment Access and Growth.

### **7. Background documents<sup>3</sup>**



7.1 There are no background documents.

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<sup>3</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.