Economy, Business Growth & Skills
Overview & Scrutiny Committee

GMCA GREATER MANCHESTER COMBINED AUTHORITY

Date: 8th December 2017

Subject: Manchester Airport/Enterprise Zone

Report of: Sir Richard Leese, Portfolio Lead for Economy and Business

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1.   PURPOSE OF REPORT

1.1   The purpose of this paper is to update Members on the delivery of the Greater Manchester Enterprise Zone setting out what progress has been made over since the November 2015 Joint GMCA and AGMA Scrutiny Pool meeting along with updating Members on activity currently in motion to secure the outcomes that have been set for the Zone.

1.2   At the December 8th meeting Lynda Shillaw, the Chief Executive Officer for Property at Manchester Airports Group (MAG), will provide a short overview of the work of Airport City Manchester setting out the background, progress and future development prospects for Airport City.

1.3   As part of the Greater Manchester Enterprise Zone there are clear objectives to ensure that there is a local benefit from the employment opportunities created as a result of companies locating in Airport City. Amazon was the first new company investing in Airport City that generated a large scale job requirement: 1,500 permanent positions and a further 1000 casual peak time roles. This report sets out a case study of the work that was undertaken with Amazon to secure positive job outcomes for Greater Manchester residents. Ian Kerr, from the Manchester Growth Company who led on this process of engagement with Amazon, will be in attendance.

2.   RECOMMENDATIONS

2.1   To comment on the work of the GM Enterprise Zone.

2.2   To note the update on the GM Enterprise Zone.

3.   CONTACT OFFICERS

3.1   Eddie Smith, Strategic Director, Development, Manchester City Council

Lynda Shillaw, CEO Manchester Airport Group (MAG) Property

4.   BACKGROUND

4.1   The Greater Manchester Enterprise Zone (EZ) focused on Airport City was one of four vanguard zones announced in the 2011 Budget.

When established the Government determined that the following benefits would apply to Enterprise Zones:

- Businesses locating to the Zone by 2015 would be eligible for a discount of up to a maximum of £55,000 per annum for the first five years they were located within the Zone. The costs of the business rate discount will be met by HM Treasury (HMT);

- The Government would assist with delivery of super-fast broadband within the EZ, with HMT providing funding, where this is necessary;

- Development would be made easier through radically simplified planning approaches for the EZ using, for example, existing Local Development Order powers. In Greater Manchester this will give effect Core Strategy policies subject to their approval and adoption following examination in November 2011 and will build on Manchester's long established approach to developing Strategic Regeneration Framework's for public consultation. These make the link between the development and wider regeneration principles; and

- All business rates growth within the Zone, for a period of at least 25 years, would be retained by Local Authorities, to support local economic priorities.

4.2   The Manchester Airport City Enterprise Zone consists of a series of linked sites focused around Manchester Airport, University Hospital of South Manchester (UHSM), Atlas Business Park and Wythenshawe Town Centre. The key roles of each of these sites can be summarised as follows:

- Airport City North – The core opportunity for a high quality new business district, attracting global companies into grade A offices, high tech manufacturing and research and ancillary facilities (leisure, hotels, retail);

- Medipark and Roundthorn Industrial Estate – health and biotech commercial development, related to the research strengths of UHSM. Roundthorn will provide affordable opportunities for ancillary and related business development;

- Airport City South – World Freight facility, supporting the operational growth of the Airport and providing opportunities to enhance the logistics role of the Airport;

- Wythenshawe Town Centre – secondary and back office functions (which will also enhance the vitality of the Town Centre).alongside ancillary retail and leisure development to serve the increased volume of visitors to the area; and

- Atlas Business Park – Affordable secondary and back office functions, including business related to the primary operators in Airport City North (for example, support services or companies linked through supply chains).

Taken together these sites total some 116 hectares and the analysis undertaken at the time of submission for EZ status estimated an opportunity to create circa 7,600 new jobs by 2015 and at the same time to capture tax revenues that will be re-invested throughout Greater Manchester. The sites were chosen on the basis that they aligned with existing planning and regeneration frameworks, they would deliver jobs quickly and they provided unique propositions that would fully exploit the economic potential of the location.

4.3 Formal approval was given to the Manchester Airport City Enterprise Zone in January 2012 and over the subsequent 18 months steps were taken to bring forward robust planning and regeneration contexts for the Airport City North and Airport City South sites. A Regeneration Framework has also been brought forward and approved for the Medipark / Roundthorn site.

The Evolution of the Enterprise Zone

4.4 In the March 2014 Budget the Chancellor of the Exchequer extended the availability of Business Rate discounts and Enhanced Capital Allowances as an incentive for new and expanding businesses to locate in Enterprise Zones. The Government has extend the deadline by which businesses need to have located in an Enterprise Zone in order to claim Business Rates discounts by 3 years until 31 March 2018. In respect of Enhanced Capital Allowances the Government has extended their availability in Enterprise Zones by 3 years until 31 March 2020.

4.5 2014-2020 UK Assisted Areas Map came into force on 1 July 2014. The coverage in Greater Manchester was an outcome secured by the Local Enterprise Partnership and the Combined Authority. In respect of the Manchester Airport City Enterprise Zone all of the Zone now has Assisted Area designation with the exception of that part of the Roundthorn estate which lies in Brooklands Ward. This designation enables the Zone and those businesses within it to benefit from a range of financial assistance.

4.6 In August 2014 the Government confirmed that it would provide a £6m Enterprise Zone Capital Growth Fund grant for the Enterprise Zone that would enable the installation of approximately 6.5km of new 33Kv cabling and construction of two new primary substations with associated transformers and circuit boards. This grant will make available 32 MVA

of additional electricity for new development within MediPark / Roundthorn and provides the facility to extend the high-voltage connection from MediPark to Airport City North.

4.7   In October 2014 a Business Case was made to Government to extend the geographic coverage of the existing Greater Manchester Airport City Enterprise Zone. A series of proposals were put forward to expand the Airport City South, the Airport City North and the Medipark parts of the Enterprise Zone. The expansion proposals were as follows:

- Medipark – four sites, with the potential for 15,000m^2 of net additional business space to be created;

- Airport City South – one single site, with the potential for over 80,000m^2 of new logistics development; and

- A small extension to Airport City North of 0.1 hectare (circa 600m^2).

These 5 additional sites extended the initial Enterprise Zone coverage from 116 hectares to 171 hectares.

4.8   The business case was accepted and the proposal to expand the Enterprise Zone was announced by the Chancellor of the Exchequer as part of the Budget announcement in March 2015.

Investing the Business Rate Growth

4.9   At the outset Manchester City Council approved a Business Rate framework whereby the growth of new businesses moving into the Zone would be supported through business rates discounts and that existing businesses would not normally qualify for the discount. However, in respect of existing businesses the existing Business Rate Framework acknowledges that there may also be cases where such businesses decide to expand within the Zone, either on their existing site or by moving. In these instances the case for giving discounts to these businesses would assessed on a case by case basis. In determining the case to award a discount there would need to be a clear basis related to a material change and contribution to the success of the Zone. This policy framework was susequently extended to the expanded Greater Manchester Airport City Enterprise Zone and that the effective date for any businesses within the expanded Zone was confirmed by Government as being the 1st April 2016.

4.10   Again at the outset the City Council approved that all business rates growth generated within the Greater Manchester Airport City Enterprise Zone was to be retained for at least 25 years and that these resources be invested by the Greater Manchester Combined Authority and the Greater Manchester Local Enterprise Partnership in local economic growth across Greater Manchester. This framework was again reviewed as a result of the expansion of the Zone and any business rate growth

achieved within the expanded Zone would be retained for such a purpose

Governance

4.11 Overseeing the progress of the Greater Manchester Enterprise Zone and ensuring that all sites contribute their full potential in terms of both employment benefits and in terms of maximising net GVA to Greater Manchester is the Enterprise Zone Landowners Commissioning Body. This body brings together the Airport, the Hospital Trust, the City Council and AGMA and it is chaired by Manchester Airport Group's Divisional CEO for Property. AGMA are represented by the Chief Executives of Manchester, Stockport and Trafford.

4.12 A Strategic Board has been established that will report periodically to the LEP. The Board includes representatives from the Combined Authority, Airport, MIDAS and UHSM. The purpose of the Board is to:

•Provide strategic direction to development of the EZ proposals;
•Own the development framework for the EZ;
•Set the performance framework for the EZ, monitor progress against it and identify where action needs to be taken to optimise the benefits across the Zone;
•Oversee the marketing and branding of the Zone and high level relationships with UKTI; and
•Ensure structures and mechanisms are in place to ensure effective coordination and communications with landowners and other stakeholders.

The Board provides a strategic level input to the delivery of the Enterprise Zone and maximising the benefits for GM.

5. **GREATER MANCHESTER ENTERPRISE ZONE:PROGRESS OVERVIEW**

Delivery Partner Arrangements

5.1 In December 2012 Manchester Airports Group commenced a procurement process for development and funding partners to deliver Airport City South and Airport City North. This procurement process was concluded in the Autumn of 2013 and in October Manchester Airports Group announced that it had selected a consortium comprising Carillion, Beijing Construction Engineering Group (BCEG) and the Greater Manchester Pension Fund (GMPF) as its partner to deliver the Airport City development.

5.2 In relation to the Medipark the South Manchester Hospital Manchester (UHSM) Trust have established a land owning Special Purpose Vehicle with Bluemantle (Medipark LLP) in January 2014 that will seek to develop new and refurbished commercial space for life sciences companies.

Progress

5.3 In Spring 2017 the Enterprise Zone Strategic Board published a Five Year Review of the progress that has been made since 2012 in delivering the Enterprise Zone. A copy of this review is attached at Annex 1 of this report.

Amazon: A Case Study of Airport City Job Recruitment

5.4 As part of the Greater Manchester Enterprise Zone there are clear objectives to ensure that there is a local benefit from the employment opportunities created as a result of companies locating in Airport City. Amazon was the first new company investing in Airport City that generated a large scale job requirement: 1,500 permanent positions and a further 1000 casual peak time roles. This case study sets out the steps taken by partners to ensuring a good level of Greater Manchester employment outcomes from the establishment of a large Amazon Fulfilment Centre on the Airport Enterprise Zone. The Case Study then covers the job outcomes generated by this approach as the site became operational in late 2016.

Step 1: The Planning Consent and Local Employment Commitment:

5.5 Planning permission was secured at the start of 2016 for Amazon to locate a distribution /fulfilment centre on the Enterprise Zone – the facility is now operational. The main operational activities of the facility are the storage of goods and order fulfilment. Amazon employs over 1,500 staff at the site, the majority of which are warehouse operatives.

5.6 Manchester City Council attached a condition to the planning consent, which set out some key principles and approaches to facilitate Amazon's recruitment to the employment opportunities created. It recognised that the majority of the roles would be entry-level warehouse roles and that the local availability of labour was one of the location criteria used by Amazon. The consent committed Amazon to work with the Manchester Growth Company (MGC), Manchester City Council and Jobcentre Plus to promote the employment opportunities at the Airport facility in a timely manner, and to consider job-ready, locally unemployed people as part of its recruitment strategy. This outline approach built on previous experience of successful volume recruitment with other major employers in other parts of GM.

5.7 Amazon generally recruits operational roles close to their sites, based on 0-15 minutes, 15-30 minutes and 30-45 minutes travel to work patterns. Their experience of recruitment for the two most recent fulfilment centres had been that employees are local residents.

5.8 Given that the Enterprise Zone is a GM opportunity, it was agreed that the Growth Company would act as the lead contact for Amazon and work in partnership with the Airport Academy to coordinate activity with Jobcentre Plus, GM colleges, training providers and local authorities. The GM approach was designed to complement Amazon's direct recruitment campaign.

Step 2: Partner Planning and Promotion of Support to Local Job Seekers:

5.9   In early 2016, planning meetings were held with Amazon, JCP and Manchester City Council. Amazon confirmed that they had not previously used local providers or colleges to assist them in recruiting but had simply paid commercial agencies to do so. The meetings were used to brief Amazon on the range of recruitment support provided to residents and employers across GM by colleges, providers and other agencies. The discussions resulted in an agreed approach to local partners assisting both unemployed residents to access the jobs available and also assisting Amazon to ensure that the Company had the number of staff needed to begin operating in September.

5.10   Amazon asked that partners present candidates during August and September 2016. On this basis, it was agreed that partners would promote the job opportunities during May and June across GM, with pre-recruitment programmes, designed to prepare jobseekers for interview, running during July and August.

5.11   Given the location of Amazon's new site and information provided by the employer on travel to work patterns experienced at their sites elsewhere, MGC agreed with Trafford, Manchester and Stockport colleges (via the Airport Academy), that the four organisations would deliver a large-scale, jointly-run, pre-recruitment programme at a location close to the site, which would be open to all GM residents. The decision to run the programme close to the site was taken on the basis that it would assist jobseekers in working out if they could travel to the local area on a daily basis both from a time and also a cost point of view.

5.12   In addition to running a large-scale pre-recruitment programme close to the site, MGC held briefing sessions for the ESF, Skills for Employment supply chain providers (which includes the other 7 GM colleges), to highlight the opportunity to them. MGC briefed SfE partners on three ways in which the wider GM Employment and Skills Partnership supply chain and their customers could benefit from the vacancies available:

- Submit their job-ready customers/candidates directly to Amazon interview days – details of how to do this were circulated to all partners by MGC

- Submit those a bit further from the labour market to the large-scale, pre-recruitment programme running close to the new site – again details of how to do this were circulated to all partners by MGC

Run local pre-recruitment training courses (eg held locally in Rochdale) before submitting candidates directly to Amazon. Detail on the job roles, skillsets and aptitudes required, likely shift patterns and rates of pay were provided to all partners by MGC.

5.13   In terms of promotion to residents, electronic and hard copy marketing materials (flyers and posters), agreed with Amazon, were circulated in

every local authority area across GM by MGC. The marketing materials, and briefings provided, set out details on the job opportunities and also the support available to help prepare unemployed residents to apply for the jobs. The opportunity was publicised widely through local networks, including the Economic Development Officers in each Local Authority, all Jobcentre Plus offices across the 10 GM districts, community groups in each local authority area, housing associations, all GM colleges and the ESF, Skills for Employment supply chain providers.

Step 3: Delivery of Support to Jobseekers and Outcomes

5.14   Open Days for the large-scale, locally-delivered pre-recruitment programmes ran in Wythenshawe during June with the pre-employment programmes themselves running in July and August.

5.15   The provision was promoted widely across GM, resulting in 1,800 referrals to attend the pre-recruitment programme Open Days. Of those 1,800 referrals, 967 attended Open Days. Of those attending Open Days, just over half started the pre-recruitment training programme. This attrition rate is not unusual at this stage in a large-scale recruitment programme – it is the sort of attrition rate experienced previously when partners have supported other major employers to recruit in other parts of GM.

Amazon Recruitment: Overall Greater Manchester Outcomes

5.16   Annex 2 of this report provide maps which illustrate the geographical spread in terms of the residency of those being offered positions and then of those GM residents actually starting work with Amazon following job offer.

5.17   Of the 522 unemployed residents starting the pre-recruitment programme, 453 completed the programme and were submitted to Amazon for interview. Of those submitted for interview, 378 attended and 321 were offered employment. Though drop-out at each stage of the process is to be expected, as individuals' circumstances or their view of the opportunities change, the length of time between the Open Days and the interviews with Amazon taking place, was probably a little too long. This point has been noted though it must be accepted that this is the first time Amazon have worked with local partners in this way and that the timescales, of the stages involved in opening a facility of this size, do change.

5.18   Of the 321 unemployed residents offered jobs by Amazon, 6 later failed drug and alcohol tests and Amazon's last report confirmed that 266 had started in employment.

5.19   Amazon have fedback to partners to say how pleased they have been with the job offer and job outcome rates when they compare that to their usual recruitment approach. Overall, the job offer rate of those attending interview (378 attended interview) is 85% (321 received job offers) and the job outcome rate is 70% (266 started work). This 70% job start conversion rate from those attending interview is substantially higher than

the 25% conversion rate Amazon have reported they usually experience when undertaking their own direct recruitment. In addition, the job outcome rate of those starting the pre-recruitment provision (522 started the course) stands at 51% - this compares favourably to the national job outcome average for similar publicly-funded programmes, which sits around the 30% mark.

Lessons learnt

5.20 Given the success of the work carried out on the Enterprise Zone site, Amazon have confirmed that they will work with Greater Manchester partners on any further Greater Manchester sites in order to recruit a good proportion of new staff in this way. This may well provide opportunity for unemployed residents who do not live close enough to the current site to make working there a viable proposition

5.21 It should also be noted that transport from the Airport transport hub to the site has improved since the site became operational but the lack of a direct and regular link at the time of the interview process did worry many candidates, perhaps explaining the drop-out figure between those completing the course and those attending interview.

Future opportunities

5.22 Given the success of the work carried out on the Enterprise Zone site, Amazon have confirmed that they will work with Greater Manchester partners on any further Greater Manchester sites in order to recruit a good proportion of new staff in this way. This may well provide opportunity for unemployed residents who do not live close enough to the current site to make working there a viable proposition.

6. CONCLUDING REMARKS

6.1 This paper has sought to Members with an update on the key developments and issues over the last 24 months associated with the Greater Manchester Enterprise Zone.

6.2 As the Amazon Case Study reveals there are clear lessons to be drawn from the Airport City from the use of Planning Conditions through to the need to get residents job ready and to have those residents interviewed quickly.

Annex one: Greater Manchester Enterprise Zone: Five Year Review – attached as separate document

Annex two: Amazon Jon Starts Map for Greater Manchester – attached as separate document