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## **Renewal of the council's contract with Make it York**

### **Introduction**

1. This paper proposes the main terms on which the Council will let a new contract to Make it York (MIY) for the period 2018-21.

### **Recommendations**

2. The Executive is asked to:
  - Agree to enter into a further 3 year contract with MIY
  - Agree the priorities on which the new service specification are to be based as set out in paragraph 16 and following
  - Agree that further work is undertaken to develop the outcomes and service levels schedule of the contract (the SLA) and that this be brought back to the Executive Member for Economic Development and Community Engagement for approval

### **Background**

3. In 2015 the council decided to establish MIY as a wholly owned, local authority company in order to deliver a new approach to marketing, culture, tourism and business development in the city. The Council entered into a three year contract with the new company to provide these services. The council was able to enter into this contract without the need for a procurement exercise as the company is 'Teckal' compliant, i.e. the council has control of all the shares in the company and exercises effective day-to-day control over its affairs, and at least 80% of the activities of the company are carried out in the performance of tasks entrusted to it by the controlling contracting authority.
4. This first contract comes to an end on 31 March, 2018 and it is therefore now necessary to decide on next steps. To inform this, officers have undertaken a review of the first three years of operation. Annex 1 provides a summary of their analysis. This shows that the model has proved very successful, with MIY carrying

out the requirements of the SLA, adding value across all areas of the business through new services and activities, and reducing the need for council subsidy by increasing commercial income generation.

5. At the same time, some learning points have emerged which need to be addressed, principally that:
  - a. the council needs to play a stronger strategic leadership role in respect of both the economy and culture commensurate with its over-arching place-making role.
  - b. the respective responsibilities of the council and MIY need to be clarified especially for those interested in investing in the city
  - c. MIY's governance arrangements need to be clarified

### **Way Forward**

6. In response to these learning points officers have considered the options available to members including bringing part or all of the functions of MIY back in-house. Given the broad success of the current model and the high level of cost that would be incurred in dismantling the current arrangements this is not recommended. Rather, in entering into a new contract, it is proposed that the council ensure that:
  - a. MIY's Teckal company status is retained
  - b. MIY continue to provide tourism, city centre and markets, culture and events functions broadly as now
  - c. The relationship between the council and MIY in the area of economic development is recalibrated so that CYC provides a clear strategic lead, and
  - d. MIY recasts itself first and foremost as the builder of entrepreneurial partnerships. As such its role would be to deliver the council's commission primarily through working with others to bring projects to life rather than necessarily delivering them on its own
  - e. The council's financial contribution to MIY is reduced by a further £100k from April 2018 (following a reduction of £100k in 17/18) and MIY be asked to identify the potential for further subsidy reduction over the life of the contract

### **Economic Development**

7. The Council wishes the new service specification for the contract, (often referred to informally as the "service level agreement" or

“SLA”), to reflect the Council’s lead role in a new economic and cultural model which will involve the Council in:

- a. Co-ordinating shared strategic ambition / vision, action and partnerships
- b. Addressing areas of market failure
- c. Creating a conducive business environment

At the same time it will give MIY complementary delivery capacity to act as a conduit to assist the Council in the above roles as well as to facilitate and deliver day to day activity on behalf of the city, as determined by the city’s agreed policy context.

8. In this model, the Council’s internal economic function (with 3 officers and a small revenue budget) will be responsible for:
  - a. Setting the overall strategic direction, working with the Corporate Management Team and the Executive procuring specialist advice as necessary.
  - b. Leading operational relationships with key delivery partners (e.g. LEPs, BID) using its limited revenue budget to leverage in third party funds.
  - c. Coordinating economic policy and investment opportunities where they relate to Council functions, e.g. supporting Local Plan, Major Projects, economic input into Local Plan; transport; major projects
  - d. Supporting Council services’ engagement with businesses
  - e. Assembling business cases for a city investment pipeline of priority projects
  - f. Identifying required interventions to address the big issues e.g. graduate retention, inclusive growth, sectoral interventions, university led growth, lobbying for investment
9. MIY’s role will be to add value to this by animating sector-led activity or bringing together partners to develop proposals and business cases. This approach will make best use of resources, harnessing the significant expertise, ability and willingness of people and organisations in the city to achieve outcomes otherwise not possible. The Ambassadors programme is a good example of this, and it is hoped that more could be done in this way.
10. MIY’s staff capacity in the areas of business development, Science City, culture and events will be responsible for:

- a. Taking the adopted city strategies such as the Economic Strategy and determine with the sectors as appropriate subordinate strategies, notably Culture, Creative Industries, and Tourism strategies including delivery plans and mechanisms to facilitate the agreed strategic objectives
- b. Facilitating cross-organisational activity around agreed strategic priorities
- c. Signposting of business enquiries to the council / city
- d. Brokerage and 'making sense' of business support from a range of sources (part funded by Growth Hub)
- e. Identifying and agreeing interventions to address agreed strategic objectives e.g. graduate retention, university led growth, lobbying for investment
- f. Promoting inward investment into York in accordance with agreed strategic objectives and priorities, generating leads through Ambassadors programme, and targeted intermediaries
- g. Web-based promotion of the city in accordance with strategic objectives and the business and inward investment offer
- h. Facilitating the strategically important key account relationships across the city
- i. Picking up inward investment leads
- j. Accepting commissions from the council or other partners to deliver specific projects in line with strategic objectives and the company's business plan.

### **Ways of working**

11. It must be stressed that the council is seeking not merely to carve up a particular area of work slightly differently but rather to signal a more fundamental shift in the way that MIY is perceived in the city. The council believes that MIY should be seen first and foremost as a "builder of entrepreneurial partnerships and project animator". In thinking about this the following hierarchy (drawing on that traditionally used in the world of emergency planning) has proved helpful in bringing a sense of clarity and simplicity:



12. The Gold level represents the highest leadership function of defining strategy, priorities, and areas for focus. This is the “strategic space” that the council needs to ‘reoccupy’ as lead partner.
13. The Silver level is about putting together the coalitions to make things happen, co-ordinating partnership activity, assembling the necessary funding. This recognises that many of the outcomes desired will only be achieved through the efforts and inputs of others beyond the council and Make it York, such as the Universities, Chamber of Commerce, business support organisations, LEPs, funders, businesses and cultural organisations. It is about spearheading the drive on the strategically agreed priorities, and translating it into detailed operational plans or projects.
14. Bronze is operational. For much of this, there will be a range of delivery organisations, with those best qualified to deliver being commissioned to do the work. For example, in the case of putting on large-scale cultural events, existing cultural providers in the city would normally be the provider of choice; neither the council nor MIY should set themselves up as rivals to these. However, for some tasks e.g. working with inward investment leads, articulating York’s pitch, or organising the city’s Christmas offer, the council, or MIY on the council’s behalf, will remain the most appropriate delivery organisation.
15. The council wishes to see a refreshed focus on partnership building and tactical interventions, with MIY leading in this ‘silver’ territory. The aim should be to harness and coordinate resources and

contributions beyond simply the council or Make it York acting as one of many delivery organisations.

### **Priorities for the Service Specification**

16. It is proposed that the priorities for MIY, in terms of the services it provides for the Council, should be driven by the city's Economic Strategy and its four long-term targets:
  - Wages above national average by 2025
  - Priority high value sector growth at least 20% faster than predicted
  - Business space and housing requirements fully met
  - Employment rate, skills and connectivity comparative advantages maintained
17. MIY should place a focus on high value job creation whilst continuing to recognise the importance of tourism and retail sectors to the city's economy and continuing to work to develop these.
18. It is proposed that further work is now undertaken to identify key activities to be included in the SLA against the relevant "to dos" within the Economic Strategy:
  - a. **York Central Enterprise Zone:** In the case of this and other key development sites the SLA is likely to identify a supporting role for MIY, assisting the Council with a signposting and conduit function to help bring investment to and to fill these sites.
  - b. **Take practical steps to develop and retain talent in the city:** the SLA will define tasks as part of MIY's wider engagement function, working primarily through sector groupings to be specified by the council, bio-sciences, food and drink, and so on.
  - c. **Lobby for investment:** here MIY can be expected to have a supporting role, helping with the strategic placement of the city in respect of key government initiatives.
  - d. **Make a fresh loud statement of cultural and visual identity:** MIY will be required to provide leadership and facilitation to the production of a cultural strategy for York, working through the Cultural Leaders Group. This strategy, which will bring greater ambition and profile to the city's cultural offer, will be approved and adopted by the Council on behalf of the city.

Key delivery areas will concern events and markets strategies to ensure that the city has a vibrant all-year-round offer, coordinating activity to maximise the benefit of York's UNESCO City of Media Arts designation for the city, and ensuring that York's cultural excellence is recognised and promoted.

- e. **Bring people and businesses together in creative, low-cost ways:** The SLA will define MIY's key account management relationship with companies and how it will support the council in follow-up activity. It will also define MIY's role in providing a 'front door' in York for businesses and start-ups as well as in providing business support.

19. MIY will continue to develop the other areas of its role as the city's marketing and destination management organisation. For these areas it receives no direct funding from the Council but does use the council's assets, notably the Shambles Market and Parliament Street, in order to generate revenue. The outcomes that the Council wishes to see will also be specified in the service specification, albeit at a lower level of detail. Key areas will be:

- a. **Visitor economy:** Facilitating cross-sector work to increase the value of the visitor economy
- b. **Business tourism:** Attracting new business tourism to the city
- c. **Visitor & cultural information:** Ensuring visitors and residents have high quality information and support
- d. **City centre management and improvement:** Managing the city centre space as a safe, dynamic and attractive place
- e. **Place marketing:** Marketing the city in national and international markets; working with partners to promote coherent brands for the city in areas relevant to MIY's remit and within the city's overarching branding strategy to be led by the Council

### **Next Steps**

20. Following approval of this report further detailed discussion will take place with MIY, involving the Head of Economic Growth and other key officers as appropriate, to flesh out the above areas and to agree key outcomes to be achieved and developed into the final SLA. This work will also take account of input made by a recent meeting of the Economy and Place Policy Development Committee.

21. MIY's business plan will be presented to the Shareholder Committee in March (accepting that the service specification will not be fully formulated at that point).
22. The fully detailed specification, once negotiated, will be approved by the Executive Member for Economy and Community Engagement.

### **Governance**

23. The new contract needs to have, built in, sound performance management arrangements. A more facilitative, partnership building role for MIY will, of course, make it harder to measure the discrete outputs of the company: it will be impossible to ascribe success to any one organisation within the partnership. The relationship with the council will therefore need to rely more on trust. In these circumstances the key elements with respect to performance management, in order to provide a good balance of collaboration and control, should be:
  - A strong and proactive client relationship, covering the whole service specification. This will be convened by the Assistant Director (Communities & Equalities) but will also involve the Head of Economic Growth through regular client meetings as well as ongoing project work.
  - A strengthened relationship between MIY and the relevant Executive Member with regular meetings and a formal annual sign-off of any updates to the service specification
  - Annual review of the specification and MIY's performance against it

As well as providing performance information, these arrangements need to facilitate a regular flow of information between the council and MIY with regard to activities and business intelligence so that the two entities are able to work closely and effectively together. They will be supplemented by regular engagement between MIY and the council's corporate management team.

24. Existing arrangements will remain and be strengthened whereby:
  - The Shareholder Committee exercises a general oversight of MIY's performance and approves the annual business plan. As a sub-committee of the Executive, the Shareholder Committee represents the council's interests as the sole shareholder, scrutinising the affairs and performance of Make it York and maintaining an element of control of the business without affecting the operational management.



Meetings of the Shareholder Committee will normally be held in the spring to approve the business plan and in the autumn to review progress.

- MIY reports to the two relevant scrutiny committees twice each per year on its performance
25. The council will continue to appoint two board members to the MIY board of directors.
26. The contract will also set out relevant contractual issues relating to performance such as break clauses.
27. The council recognises that the MIY board will need to review its staffing structures at all levels under the new contract to take account of:
- The shift in ways of working that the council seeks
  - The revised arrangements in the area of economic development
  - The £100k reduction in council financial contribution

### **Options**

28. The principal options available to the Executive are to:
- Enter into a new service contract with MIY to deliver the priorities set out in this report or any amended priorities that the Executive may suggest, or to
  - Ask officers to seek alternative delivery mechanisms for some or all of the services currently provided by MIY

### **Analysis**

29. In view of the analysis contained in Annex 1 concerning the success of the current model and the high level of cost that would be incurred in dismantling the model in order to create alternative delivery arrangements, the council is likely to obtain better value for money by entering into a new contract with MIY.

### **Implications**

30. **Finance:** The council's funding of MIY over 2018-21 will be £299k p.a. a reduction of £100k compared to 2017/18. The contract will require MIY to identify further scope for reduction in Council subsidy over the life of the contract.

31. **Legal:** The Council can make a direct award of this contract to MIY without undergoing a procurement process while it remains a Teckal compliant company. This requires the Council to exercise similar control over the company as it does over its own departments, that at least 80% of the activities of the company are those entrusted to it by the Council, and that there is no direct capital participation from the private sector in MIY.
32. **One Planet Council:** The Better Decision Making tool has identified positive impacts from this proposal. The evaluation phase has identified the potential for further engagement around the diversity and accessibility of the city's tourism offer and cultural product. These issues will be addressed in the final SLA.

### **Council Plan**

33. MIY contributes to the Council Plan priority of "A prosperous city for all".

### **Risk Management**

34. In compliance with the council's risk management strategy the main risks arising from this report have been identified. These risks are mainly ones that could lead to the inability to meet business objectives (Strategic) and to deliver services (Operational), leading to financial loss (Financial), non-compliance with legislation (Legal & Regulatory), damage to the council's image and reputation and failure to meet stakeholders' expectations (Governance).
35. Measured in terms of impact and likelihood, the risk score has been assessed at 14. This "medium" risk level is acceptable but means that regular active monitoring is required.

### **Annex: Make It York Performance**

## Contact Details

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