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## **Executive Members for City Strategy and Advisory Panel**

Report of the Director of City Strategy

### **2006/07 SECOND MONITORING REPORT ECONOMIC DEVELOPMENT SERVICE - FINANCE & PERFORMANCE**

#### **Summary**

- 1 This report presents the latest projections for revenue and capital expenditure by Economic Development, as well as performance against target for:
  - Best Value performance indicators
  - Customer First targets (letter and telephone answering)
  - Staff Management targets (sickness absence & appraisals completed)

#### **Background**

- 2 This is the second monitoring report for 2006/07 combining financial and service performance information for Economic Development to be brought to City Strategy EMAP (Executive Members & Advisory Panel).
- 3 The performance data included is that which is reported as part of the Council plan each year.

#### **Finance Summary**

- 4 The budget for the portfolio was set at £1,843k. Since then the budget has increased to £2,196k following the transfer of Grants and Partnerships from Chief Executive. Current projections are that Economic Development outturn will be £2,314k, an overspend of £118k. However, there are a number of areas where members receive a regular update and these are set out below.
- 5 The primary reason for the projected overspend is that following the retirement of the Assistant Director for Economic Development it has been necessary to make temporary cover arrangements prior to the recruitment of the replacement Assistant Director. The work programme over the period of this review has required a significant input at Director and Assistant Director level which would not have been possible without interim cover for this post. This has included the job losses announced at British Sugar, GNER, Nestle and Norwich Union; the

response to them; the setting up of and support for the Future York Strategic Economic Review; and the management changes at Science City York (SCY). Whilst the cost of employing suitable temporary staff has been significant, it has been important to employ a suitably experienced individual to support the Director of City Strategy over these months. The costs of temporary management support have totalled £74k above the budget. Further to this recruitment costs for the new Assistant Director (due to start on 29<sup>th</sup> January 2006) total £26k.

- 6 The continuing downturn in letting stalls at Newgate market is resulting in a forecast £22k shortfall in income. This has been offset by additional income (£3k) from specialist markets where demand is buoyant.
- 7 This forecast overspend of £119k cannot be contained within the portfolio however the overspend anticipated in this portfolio has been considered whilst discussing the City Strategy Directorate budget by the Management Team. Anticipated savings within the City Strategy portfolio have been identified and it is recommended that a virement of £119k be transferred from City Strategy portfolio to Economic Development service be made. This is reported in the City Strategy Monitoring report elsewhere on the agenda.

### **York Training Centre**

- 8 As reported to previous meetings the work of the York Training Centre is dependent on external contracts (wholly funded from external income) and is subject to bi-monthly reviews of their trading position. The significant changes introduced in the last financial year, to deal with reducing external finances, have been fully implemented.
- 9 The Quarter 1 Monitor Report indicated concern over the possibility that there would be a significant reduction in placements from schools. In the event the reduction has been less than expected. Additionally the Centre has won a new contract to deliver services to school leavers. As a result current projections suggest that a break-even position can be achieved at year-end. The position is being monitored monthly and action will also be focused on 2007/08.

### **External funding**

- 10 Science City York is bringing forward a proposal to make use of £2.63m of Northern Way funding available through Yorkshire Forward. The proposal would enhance the activities of SCY by creating a series of "Spokes" linked to the existing "Hub" to enable the project to deliver specialist services in at least four sites across the city. Yorkshire Forward has approved the project in principle and a final decision on support for the project can be expected before Christmas.

## Performance Overview

- 11 The impact of the recent redundancy announcements upon the indicators listed below cannot be assessed until full indication of announcements are understood;
- VJ15a: York's unemployment rate below the regional rate
  - VJ15b: York's unemployment rate below the national rate
  - VJ3: Percent of residents using Future Prospects services to obtain jobs or enter training
  - VJ15e: Maintain a positive York Business Survey moving employment figure.
- 12 Performance indicators for the Economic Development service plan are attached as Annex 1. Where necessary more detailed information is given on the performance of certain indicators on an exception basis below.

PI Description	Q1-Q2 2005/06	2006/07 Target	Q1-Q2 2006/07	05/06 vs 06/07	Actual vs. target
CCP3: Percentage of stall take ups in Newgate Market	74.5%	74%	72%	✘	✘
VJ15d: Balance of firms turnover has grown rather than fallen.	18.5%	16%	13.6%	✘	✘

- 13 CCP3 (The percentage of stall take-ups in Newgate Market) is currently performing below the comparative period in 2005/06 and below the 2006/07 target of 74%. However the indicator is performing above the 2005/06 outturn of 65.3% and has shown improvement in July, August and September by achieving 74.6%, 73% and 79% respectively. Current performance indicates that an average of approximately 74 stalls are occupied out of a possible 103.
- 14 Stall allocations are dependent on favourable weather conditions. An action plan has been agreed to attract more traders – including additional advertising, customer research, a new market brochure (which is now available), a customer charter and an enhanced maintenance programme. There will also be action to attract new casual traders to come and stand on the market.
- 15 VJ15d (Balance of firms turnover has grown rather than fallen) is performing below the equivalent time period in 2005/06 and the target of 16%. The indicator reflects the impact of higher energy prices (particularly oil) and of higher interest rates. Furthermore the Monetary Policy Committee (MPC) of the Bank of England has raised interest rates adversely affecting consumers and industry alike since higher energy costs have increased the level of inflation.

- 16 Additionally, in the retail sector, high levels of existing consumer debt add to the difficulties and are causing downward effects upon the industry.
- 17 Sickness absence for Economic Development is 7.35 days per FTE (Full Time Equivalent) for the first six months of the year. This level of performance is poorer than the corporate average of 5.37 days and the corporate target of 5.24 days per FTE. In common with the rest of the City Strategy Directorate management action has been taken to reduce sickness absence. Together with the return to work of several staff from long term absence, this is expected to give rise to an improvement to this figure in the third quarter.
- 18 The Customer First figures show that so far for Economic Development 100% of all letters received are answered within the 10 days Council standard. This exceeds the corporate target set of 95% for prompt replies to correspondence.
- 19 For Economic Development 90.3% (representing 6,253 out of 6928) telephone calls were answered within 20 seconds in the first six months of 2006/07. This is below the corporate target of 95% but above the corporate average of 87.1%. Below target performance affecting the whole figure is particularly noticeable in the Training Centre, resulting from the office layout and the number of peripatetic staff. Proposals are being brought forward to change the telephone system to improve the response times.
- 20 Further details on performance data can be obtained from the City Strategy Performance Development officer.

### **Capital Programme**

- 21 The Economic Development capital programme comprises of two schemes for 2006/07.

	<b>Original 2006/07 Budget £000</b>	<b>C/ forward from 2005/06 £000</b>	<b>Current 2006/07 Budget £000</b>
Small Business Workshops (Amy Johnson Way)	0	260.9	260.9
Tourist Information Centre	100	0	100
<b>Total</b>	<b>100</b>	<b>260.9</b>	<b>360.9</b>

- 22 Leader EMAP approved a capital scheme for managed workspace at Amy Johnson Way, Clifton Moor to replace both the Parkside and Fishergate Centres on 20th March. A design submitted by The Helmsley Group was approved for a scheme where the council takes a head lease on the building and recovers rents from individual tenants over the term of the lease. The lease will be for 11 years with an initial 12 month rent-free period. The building is triangular in design, with

ground-floor workshops and offices or studios to the first floor and is designed to be as sustainable a building in terms of construction and use as possible, minimising use of both electricity and water. Final design details are being drawn up currently with the architect and developer with regular meetings and the intention of submitting a planning application in September for consideration by the Planning Committee in December. Provided the approval of the committee to the proposed design is obtained, construction will begin on site in January with a completion date of October 2007.

- 23 An Action Plan is being prepared at the moment for the relocation of the De Grey Rooms Visitor Information Centre into an alternative location in Parliament Street. This Plan will seek to resolve outstanding issues relating to financial and business planning, and physical planning issues. Included in the capital programme is a total of £250,000 (over two years) required to relocate the current public lavatories and release the site for this alternative use.

### **Conclusions**

- 24 Economic Development is expected to overspend the budget of £1,843k by £119k. This is primarily due to the cost of implementing temporary management arrangements that have been essential following the retirement of the former Assistant Director. There is an underspend within the City Strategy portfolio that will fund this overspend. A virement from City Strategy to Economic development of £119k is recommended within the City Strategy Monitoring report elsewhere on the agenda.
- 25 Most key indicators are on target. Levels of sickness absence are above the council average and corporate target.

### **Consultation**

- 26 The report is primarily an information report for Members and therefore no consultation has been undertaken regarding the contents of the report.

### **Options**

- 27 The report is primarily an information report for Members and therefore no specific options are provided to Members regarding the contents of the report.

### **Corporate Priorities**

- 28 The principal function of this report is to provide a snapshot of the directorate's financial performance during the 2006/07 financial year. As such it contributes to the proper financial management of the authority.

## **Implications**

- 29 Financial – these are addressed in the body of the report
- 30 Human Resources - there are no human resources implications within the report.
- 31 Equalities - there are no equalities implications within the report.
- 32 Legal – there are no legal implications within the report
- 33 Crime and Disorder - There are no crime and disorder implications within the report.
- 34 Information Technology – there are no Information Technology implications within the report.
- 35 Property – there are no property implications within this report

## **Risk Management**

- 36 Budget monitoring is a key element of the management processes by which the council mitigates its financial risks. This report provides members with a detailed position of the portfolio's performance to date in 2006/07.

## **Recommendations**

- 37 That the Advisory Panel advise the Executive Member to approve the financial and performance position of the portfolio.

Reason – In accordance with budgetary and performance monitoring procedures.

## Contact Details

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Report Approved  Date 27/11/06

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Report Approved  Date 27/11/06

Specialist Implications Officers: None

Wards Affected:

All

For further information please contact the author of the report

### Background Documents:

2006/07 Budget Monitoring files held in City Strategy Finance  
Performance Management Framework held by Business and Policy Development

### Annexes

Annex 1 Economic Development Performance Indicators