

Executive Members for City Strategy and Advisory Panel

2 June 2008

Report of the Director of City Strategy

2007/08 ECONOMIC DEVELOPMENT FINANCE & PERFORMANCE OUTTURN

Summary

1. This report presents two sets of data for Economic Development:
 - a) draft outturn figures Economic Development for capital and revenue expenditure for the financial year 2007/08
 - b) outturn (2007/08) performance against target for a number of key indicators that are made up of:
 - Best Value Performance Indicators owned by Economic Development
 - Customer First targets (letter answering and telephone calls)
 - Staff Management Targets (sickness absence)

Economic Development Provisional Revenue Outturn 2007/08

2. The Executive Leader has received monitoring reports during the year and has been kept informed on expenditure and income trends for Economic Development. The last report was presented on 10 December 2007 covering the period up to 30 November 2007. This showed that the projected outturn for Economic Development at that time would overspend by £+9k.
3. The latest approved budget for Economic Development for the year is £2,359k. Provisional outturn expenditure is £2,343k a gross underspend of £-16k against the latest approved budget and represents a variation of -0.1% on the portfolio's net budget.

	£'000	%
Latest Budget	2,359	
Provisional Outturn	2,343	
Gross Underspend	-16	-0.1
Carry Forwards Requested	15	
Net underspend	-1	-0.1

4. The gross underspend of £-16k compares to a projected break-even position reported after the second monitoring report. The main variances are:

	£'000	
Shortfall of £+65k shortfall on Newgate market tolls. This offset by £-4k additional income from the electricity substation in the compactor yard and extra £-2k from speciality markets	+59	+10%
Additional £-13k rental income in the city centre, plus £-27k saving in operational budgets to compensate lost income from market.	-40	-8%
£-38k saving in Partnerships team following a number of staff vacancies during the year	-38	-23%
The costs of the Future York which continued into the first half of 2007/08 to complete discussions over the future of the city amount to £+27k	+27	+100%
The budget set aside for Key Cities has not been required during the year resulting in savings of £-18k. Further £-14k savings have been made in business support due to reductions in contributions and hospitality.	-32	-45%
Residual costs of the Yorkshire Forward contracting relating to the station VIC and the lighting project amount to £31k, offset by staff saving of £-16k	+15	+4%
Miscellaneous savings amount to £-7k	-7	-0.1%
Total Economic Development	-16	-0.1%

York Training Centre (YTC)

5. YTC continues to support the City's strategies for improving skills and reducing NEET (not in employment, education or training) figures for school-leavers. A new programme, E2V has recently started to support this. Progress is being made in offering apprenticeships within the City of York Council, which will be managed through York Training Centre. Partnership working continues to be a priority and YTC has recently been successful in a joint submission with Adult and Community Learning and Future Prospects for Learning and Skills Council and European Social Fund tendering opportunities. YTC managers are active in many partnership groups in the City looking at developing work-based and work-related learning, reducing disaffection, promoting an alternative vocational curriculum and generally working with schools to offer a full range of opportunities for young people.
6. At the end of the financial year the York Training Centre reserves are £18k, following a surplus of £15k for the financial year (1% of turnover). This has been achieved through managing a 4% reduction in turnover, staff reductions of around 7%, plus significant reductions in accommodation and overheads as part of a general cost-cutting exercise.
7. The priority for 2008/09 is to achieve a balanced budget within the year and officers are reviewing the impact of the current contract situation on the level

of turnover within the Training Centre. Updates will be brought to Members as the year progresses.

Future Prospects

8. Future Prospects provides the local community with an access point for exploring options for employment, career development, education and training. It is a partnership organisation between City of York Council and York College. It is funded by the partners and attracts small amounts of additional funding from appropriate sources. There has been no call for unbudgeted council resources during the year.

Markets

9. Members will be aware that over the last two financial years there has been a shortfall in income following reductions in stall take-up of £65k. It is considered that this trend will continue in 2008/09. The popularity of open markets is in significant decline nationally and, in spite of a range of new initiatives designed to increase trading, a loss continues to be made. Further initiatives are being considered. This shortfall has been partly offset by forecast additional income from specialist markets (£-2k) and other miscellaneous income (£-4k).

Science City

10. The new board for Science City Ltd was announced in October. Richard Gregory OBE, Yorkshire Bank Chair, became Executive Chair of Science City York's new company limited by guarantee. He is joined by David Dickson, Managing Director of Garbutt and Elliott. Simon Hill, Executive Director for Business at Yorkshire Forward also joins the board of Science City York Ltd together with the founding partners, Professor Brian Cantor, Vice-Chancellor of the University of York and City of York Council's Director of City Strategy, Bill Woolley.
11. In April the Science City York team moved from George Hudson Street to new offices in the Science Park at Heslington.
12. Following recent delays with planning for the construction of a Digital, Creative Technologies Centre at the Terry's Chocolate Works development has not gone ahead as quickly as planned. This site was originally to be funded under the Northern Way Hub and Spoke Project with funding available until March 2008. Funding plans have now been reviewed and Yorkshire Forward will continue to fund this development through other sources. Science City York and Yorkshire Forward accepted an additional spoke project for the remaining £1.35m of Northern Ways funds which allowed the University to acquire 5 mass spectrometers.
13. In addition, Science City York are in the process of producing a detailed proposal for European Regional Development Fund (ERDF) funding for the next 3 years, having succeeded in getting through the initial stages. The new activities proposed will compliment the existing business model across York and North Yorkshire under the Nurturing Project.

Carry Forward Request

14. In view of the current property market, a formal request is made to carry forward a £15k underspend to enable york-england.com to undertake a proactive service with respect to indigenous property enquiries, including those for retail premises. Members will be aware of the importance to the future economic prosperity of the area by attracting new companies, working with companies already located here and ultimately creating jobs. The enhanced enquiry handling service would enable a more effective, faster response to the needs of enquirers to be developed and maintained until the potential interest is converted or concluded. Given current concerns regarding retailer interest in the City Centre, it is proposed to extend the enquiry handling service to cover this important sector of the local economy. It is proposed to extend the current Service Level Agreement between the Council and york-england.com to cover this enhanced service. A formal request is therefore made to carry forward the £15k underspend.

Economic Development performance indicators

15. There are some marked improvements in service performance compared to 2007/08 targets, particularly in relation to:
- VJ15c: (business confidence) balance of firms expecting turnover to rise in the future rather than fall
 - VJ3: % of residents using Future Prospects services that can obtain jobs or enter training.
 - CCP2: Number of City Centre events (including event markets) organized by City of York Council annually.
16. Performance indicators on the Economic Development service plan are attached as Annex 1. The key indicators to be brought to Members attention is shown in the table below

PI Description	06/07 outturn	07/08 target	07/08 actual	06/07 vs 07/08	Actual vs. Target
VJ15c: (business confidence) balance of firms expecting turnover to rise in the future rather than fall	26.0%	20.0%	28.1%	✓	✓
VJ15e: Maintain a positive York Business Survey average employment figure	8.40%	7%	7.2%	✗	✓
CCP2: The number of city centre events (including event markets) organised by the City of York Council annually.	40	30	46	✓	✓
VJ3: % of residents using Future Prospects' services that obtain jobs or enter training	25.5%	20%	43.19%	✓	✓

VJ15: York's unemployment rate					
a) Below the regional rate	1.5% below	1.5% below	1.5% below	Stable	✓
b) Below the National rate	1.2% below	1% below	1.1% below	✗	✓

17. VJ15c (business confidence; balance of firms expecting turnover to rise in the future rather than fall) year end performance is slightly higher than the 2006/07 outturn and is above the target of 20%. The rise in business confidence has continued despite rising energy prices and other pressures. However the forecasted economic climate could affect future performance and therefore this indicator may not achieve the levels of performance seen in 2006/07 and 2007/08.
18. VJ15e (the number of new business starts) at 7.2% has met its target of 7% but is below the 2006/07 outturn of 8.40%. Results for this indicator have declined since 2005/6 due to tighter economic conditions, a firmer monetary stance by the Bank of England with rising interest rates and appreciating value of sterling due to these firmer rates. Much of this is part of the normal economic cycle caused, to a degree, by external factors. This more difficult economic climate facing businesses in the York is reflected in their staffing levels as fewer extra staff are recruited in such conditions and employers seek to both contain and trim costs. But despite some difficult trading conditions, the York economy has continued to grow its employed workforce. While harder trading conditions have faced employers over 2007/08, employers have not translated these into reducing employee levels.
19. The CCP2 (the number of city centre events (including event markets) organised by City of York Council) 2007/08 performance has achieved its target of 30 and has performed above the 2006/07 outturn of 40. The total number of city centre events has increased from 40 in 2006/07 to 46 in 07/08 and has included events and specialist markets such as International and Farmers markets as well as a Fair Trade Festival.
20. VJ15a and VJ15b are meeting the set targets for 2007/08 (1.5% below and 1.1% below respectively). These performance indicators show that unemployment levels within the City of York boundary are lower than the regional average and national average despite a tightening economic climate.
21. VJ3 (percent of residents using Future Prospects' services that obtain jobs or enter training) has exceeded the target (20%) and the 2006/07 outturn (25.50%). The external funding has been reduced and therefore some staff have been released. This has meant that a smaller number of clients have been seen but there has been significant success in moving people in to learning and work.
22. For Economic and Development 94.57% (representing 22141 out of 23,412) telephone calls were answered within 20 seconds in 2007/08. This is just below the corporate target of 95% but is above the corporate figure of 93.88%.

23. The 2007/08 year end sickness absence figure for Economic Development is 8.52 days per FTE. Performance exceeds the corporate target of 12 days per FTE. This is a significant improvement compared to the 2006/07 outturn of 14.85 days and can be attributed to an active campaign to reduce sickness through the effective management and review of long and short term sickness absence.
24. There are a number of other locally set performance indicators used by the Economic Development Unit to monitor and manage performance. Further details can be obtained from the City Strategy Performance Officer.

Capital Expenditure

25. The 2007/08 Economic Development capital programme comprised two schemes as detailed below:

Small Business Managed Workshops

Approved Budget at Q3	£259.0k
Outturn at 31 st March 2008:	£ 17.4k

26. The proposals to replace the existing Small Business Workshops on the Parkside site on Terry Avenue and the Young Business Project site at Fishergate by a new Managed Workshop scheme on a site at Amy Johnson Way in Clifton Moor purchased using the Venture Fund were agreed at the Resources and Leader EMAPs in March 2006. Considerable progress has been made on the project to construct the Eco Business Centre, with the land issues settled by Resources Asset and Property Management with input from the council's legal services team and external solicitors acting for the authority. The constructors, Lotus Construction Ltd, laid the foundations for the new centre in Oct/Nov 2007. The steelwork is in place with fitting out stage now underway. Although building schedules can obviously be knocked off course by adverse weather conditions and other unforeseen delays, the construction team plans to complete the building by August 2008. Pupils from Canon Lee School are involved in watching the centre being built during monthly site visits and some students are building the wooden benches that will form the seating on the green roof terrace to the rear of the centre.
27. Actual spend in the year was £17.4k, an underspend of £241.6k compared to the budget of £259.0k.
28. In line with the report approved by Members "Clifton Moor Managed Business Centre – Capital Programme Scheme" approved by Leader EMAP (20th March 2006) it is necessary to convert £184k of this underspend to a revenue stream to support the running costs of the centre over the period of the lease. The recommended capital carry forward for the scheme is therefore £57.6k.

Consultation

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

Options

30. 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

31. The principal function of this report is to provide details of the directorate's financial and service performance for the 2007/08 financial year. As such it contributes to the proper financial management of the authority.

Implications

Financial

32. The report provides details of the portfolio revenue and capital outturn and therefore implications are contained within the report

Other Implications

33. There are no significant human resources, equalities, legal, crime and disorder, information technology or property implications within the report.

Risk Management

34. The report is primarily a look back at finance and service performance and therefore there are no significant risks in the content of the report. It is important to consider the implications of the outturn position on the 2008/09 budget to identify whether there are any recurring issues.
35. The continued downturn in rental incomes from the Market showed a shortfall of £59k (7%) of income during the year and this will need to be closely monitored.
36. The issue above will be closely monitored and issues brought back to Members as part of the 2008-09 budget monitoring process.

Other Implications

37. There are no significant human resources, equalities, legal crime and disorder, information technology or property implications within the report

Recommendations

38. That the Advisory Panel advise the Executive Leader to:

- note the Economic Development provisional performance and revenue and capital outturn for 2007/08;
- approve the carry forward of york.England.com budget as detailed in paragraph 14, subject to the approval of the Executive.

Reason – in accordance with budgetary and monitoring procedures

Contact Details

Author:

Patrick Looker
Finance Manager
City Strategy
Tel No 551633

Sarah Milton
Performance Officer
City Strategy
Tel No 551460

Chief Officer Responsible for the report:

Report Approved Date

Bill Woolley
Director of City Strategy

Report Approved Date 20th May 2008

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

2007/08 Estimate Files
2007/08 Budget Monitoring Files
2007/08 Closedown Files

Annexes

Annex 1 Economic Development Performance Indicators