

Report of the Cabinet Member for Finance & Performance

**Delivering Marketing, Culture, Tourism and Business Development  
– Stage 2**

**1. Summary**

- 1.1 This report follows a report to Cabinet in November 2013, in which members agreed the need to develop a new approach to the delivery of marketing, culture, tourism and business development in the city.
- 1.2 This report presents the business case and options for the establishment of the company and makes recommendations for its set-up, including proposals for the transfer of City of York Council (CYC) resource into the company and recommendations for CYC to acquire sole ownership of Science City York (SCY) in an effort to align the work of SCY with the new company.

**2. Background**

- 2.1 In November 2013, Cabinet approved the development of a business case and options for a new agency to promote the City of York to a range of markets, ranging from tourists to businesses.
- 2.2 The driver for this work is to make a step change in the way that the city attracts investment and visitors. As the November Cabinet report demonstrated, whilst the city has a number of significant assets which set it apart from other cities, particularly in the North, York underperforms in areas of productivity and inward investment. There is also evidence that the city could extract more value from the visitor economy; hence the city's tourism vision of doubling the value of tourism by 2020.
- 2.3 With the proposals set out in this report, the intention is to build on the city's assets as a knowledge economy and quality destination, in order to attract both visitors and business investment in a more

professional, market-facing way which will maximise the city's value for public money spent in these agendas.

### **3. A New Way of Working**

3.1 The objectives for this new way of working are:

- **To achieve a stronger co-ordination and promotion of the city's profile and cultural offer.**
- To deliver **greater inward and indigenous investment** from business, and thus market share for York and its key growth sectors, particularly life science-related industries, high-tech industries and business services.
- **To increase the value of the visitor economy** through promoting innovation and higher quality in the existing offer, encouraging high value visitor economy investment and attracting higher spending visitors.

3.2 Specific outcomes sought are as follows:

- Develop a National/International profile of high quality cultural events
- Increase in business investment in the city – as measured by growth in existing business and inward investment by companies locating into the city
- Increase in spend by tourists – as measured by increase in average length of stay and average spend per visitor
- Increase in city centre footfall
- Increased profile for the city as a destination for living, visiting, studying, and doing business.

### **4. Establishment of a New Service**

4.1 In order to achieve the above objectives and outcomes, the scope of the services to be established is set out at **Appendix A**.

4.2 A business case for the establishment of the new company is set out at **Appendix B** and includes an options appraisal.

4.3 The preferred option is to establish a **wholly owned company**, as it enables the Council to work with the private sector most

effectively to join up existing capacity and to create a truly market-facing and efficient service.

- 4.4 The company will have a very clear and distinct market-facing leadership as expressed through a private sector-led board and representation on the Board of Directors, which will include Council representation.
- 4.5 This agency approach is a model that is becoming increasingly popular across the UK, including London and Partners, Opportunity Peterborough, and Newcastle Gateshead Initiative.

## 5. **Governance of the new company**

- 5.1 A transitional chair for the new service was appointed through an open recruitment process over December and January. Subject to the outcome of Cabinet decisions recommended in this report, this chair will be tasked with the development of a new Board of Directors for the new agency in line with legal advice and precedent set by similar agencies in the UK.
- 5.2 It is expected that the Board will be drawn from the relevant sectors which the new company will be promoting and developing; the proposed Board will be presented to Cabinet in the business and governance plan to be brought back in the Autumn. It is proposed that there will be two (2) nominees from the Council on the Board of Directors.
- 5.3 The Council will develop a **service level agreement** with the new company, and in so doing, will set outcomes and objectives for the use of public funding provided to the new company.
- 5.4 Measures will be put in place to ensure accountability of the new company and to enable the Council to provide appropriate oversight as to the spend of public funding.
- 5.5 Over time, the new company will develop new areas and agendas for working, one of which could be the emerging work to engage city centre businesses via City Team York in the developing a more sustainable mechanism for supporting city centre initiatives. This could result in a Business Improvement District, and would enable the Council to match public funding and resource with business contributions through this agenda.

## 6. Transfer of resources

6.1 In order to establish the new company, it is proposed that the Council's investment in agendas of culture, tourism, city centre and inward investment will be reviewed with the intention of making the most effective use of the resources. This review will cover the following Council teams and activities:

- culture and leisure
- events and festivals
- city centre
- economic development unit
- the Council's contribution to relevant external bodies, including Visit York and Science City York

6.2 This review of resource will take place in consultation with staff.

## 7. Proposal for CYC to become sole member of Science City York

7.1 In reviewing its current commitments to public funding of activities relating to the core objectives of the new company, the Council has reviewed its current contributions to Science City York.

7.2 Currently, SCY is owned by CYC and University of York – who are both members in the company; in addition, York St. John University contributes funding to the Company on an annual basis.

7.3 Given the alignment of SCY activities with the activities of the new company, particularly with regard to sector development and inward investment, the Council have proposed to the SCY Board that CYC considers acquiring the SCY company with the intention of bringing this resource into alignment with the new agency.

7.4 The business case for acquisition of SCY is included at **Appendix C** (commercially sensitive and confidential). The legal and financial due diligence has now been completed, and it is recommended that CYC accept in principle the recommendation for CYC to become the sole member of the SCY company, subject to final financial due diligence with final decision delegated to the Director for Customer and Business Support Services (CBSS). This final decision will be presented to the SCY Board at its July meeting.

7.5 It is clear that there is a significant amount of business interest in maintaining the SCY brand and offer, and CYC's intention in acquiring the company would be to maintain the service but to achieve greater integration and effectiveness with better links to other capacity in these agendas.

## 8. Consultation

8.1 Since the original Cabinet report proposing a new approach in November, several structured consultation sessions have taken place on the agendas to be covered by the new company. A series of events which have engaged a range of stakeholders across the private, public and third sectors in the agenda set out in this report. These sessions have identified the potential for a more joined up approach to marketing and promotion of the city.

8.2. In addition, the York@Large, York Economic Partnership and Visit York have been engaged in the proposed approach, and have provided input to the shape of the preferred option identified in this report.

8.3. Subject to the outcome of the Cabinet decision, the transitional chair of the new company and officers will continue to work through intensive engagement with stakeholders, including Visit York members, the YEP, York@ Large, the city's business networks through the YEP Business Engagement Group, and with other key stakeholders not covered therein.

8.4. In addition, there will be a concerted effort to establish informal but closer working relationships across the city's key partners, including but not exclusive to Science City York, the further and higher education institutions, the cultural organisations in the city and the city's business support and network organisations.

8.5 Looking ahead the new company will work with the council to ensure wider community engagement in the programming of community related events.

## 9. Council Plan

9.1. The delivery of the company has a direct impact on the ability of the city to deliver Council Plan Priority to **Create Jobs Grow the Economy** by enabling the Council to work in partnership with the private and third sectors as well as other key public sector

organizations with a stake in the economic performance of the city.

## **10. Implications**

### **11. Financial**

- 11.1 The current council budgets for these activities totals approximately £720k. This includes staffing levels, contributions and promotion budgets. This follows a saving of £220k that was delivered as part of the 2014/15 budget process. The proposals imply a minimum further reduction in annual spend on these activities of approximately £10k, but with a one off set up cost of £90k to be applied. These set-up and salary costs will be provided from the Council's £500k Transformation Fund.
- 11.2. In addition, there is a need to provide the salary for the new Chief Executive of the new company, which will seed fund the agency until it has had the opportunity to create a more sustainable financial footing to the end of 2014/15. This cost is anticipated to be in the region of £50k. It is recommended that this allocation be funded from the council's general contingency.
- 11.3. The wholly owned legal structure thus will enable CYC to achieve a more joined up approach to the objectives outlined in this report more quickly and efficiently – both with regard to the creation of the new company and in its proposal to take sole ownership of SCY.
- 11.4. There is a general revenue contingency of £650k set at Budget Council in February 2014. Elsewhere on the Agenda in the Council Revenue Outturn report it is reported that the contingency is recommended to increase by £314k. There is a commitment of £273k to fund Tour de France which leaves an unallocated contingency of £691k. This allocation of £50k will reduce the overall level of contingency available to £641k.
- 11.5. Over time, the expectation is that by placing these services at arms length from the Council, the new agency will operate more efficiently and drive greater cost effectiveness. Ultimately, the proposals should have the indirect impact of increasing business rates and Council tax by attracting more business investment, visitors, students and residents to the city.

## 12. Human Resources (HR)

- 12.1 Initial discussions, consultation has taken place with Council staff who are potentially affected by the proposals outlined in this report and trade union representatives.
- 12.2. The staffing implications will continue to be considered and any changes will be implemented in accordance with the Council's Supporting Transformation (Managing Change) policies and guidelines.
- 12.3. Individual and collective consultation with staff and trade union representatives will be on going throughout the process.

## 13. Equalities

- 13.1 An initial Community Impact Assessment has been completed

## 14. Legal

- 14.1 The Council wish to provide services to the public. Section 95 of the Local Government Act 2003 provides a power to trade in "function related activities". Non-functional services are covered by sections 1-4 of the Localism Act 2011. In both cases, the Acts requires the formation of a company to trade.
- 14.2. Before exercising these powers, the Authority must prepare and approve a "business case". This is to ensure that any risks are effectively managed by the Authority.
- 14.3. Provided the Company is wholly owned and controlled by the Authority, and provides at least 80% of its business to the Authority, any services provided back to the Authority would not have to be procured.

## 15. Recommendations

- 15.1 Members are recommended to:

- Agree in principle the business case for the new company **Appendix B**
- Agree in principle to support the formation of the new company subject to a business plan being approved by Cabinet in the Autumn
- Agree that the Council becomes sole owner of SCY, on the basis of the business case set out in confidential **Appendix**

**C** and subject to final financial due diligence with final decision delegated to the Director for Customer and Business Support Services (CBSS)

- Approve a one off financial contribution towards the set up costs of the new agency of £140k from a combination of the Transformation Fund (£90k) and contingency budget (£50k)
- Delegate to the Director of CBSS, CANS and CES and Assistant Director, Governance and ICT, in consultation with the Leader and Cabinet Member for Finance and Performance the authority to finalise the detailed arrangements for the formation of the company, specification and governance arrangements, and to enter into all necessary legal agreements

Reason: To provide full information on the proposals in order to progress establishment of the company in an effort to improve efficiency, cost effectiveness and business investment in the city.

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<p><b>Report Approved</b> ✓      <b>Date:</b> 23 June, 2014</p>	



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**Wards Affected:** List wards or tick box to indicate all**All****For further information please contact the author of the report****Background Papers:**

- City of York Council Cabinet Paper, 5 November 2013. Supporting Economic Growth by attracting and supporting investment to the City of York. <sup>1</sup>
- City of York Council Cabinet Paper, 5 November 2013. Delivering Marketing, Culture, Tourism and Business Development for the City of York.<sup>2</sup>

<sup>1</sup> <http://democracy.york.gov.uk/documents/s84625/A%20-%20Supporting%20economic%20growth%20by%20attracting%20and%20supporting%20investment%20to%20the%20City%20of%20York%20-%202013.11.0.pdf>

**Annexes:**

- Annex 1 – Community Impact Assessment
- Appendix A – Services
- Appendix B – Business Case – Establishment of Marketing and Business Development Agency
- Appendix C – Business Case – Acquisition of Science City York -  
**Confidential**

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<sup>2</sup> <http://democracy.york.gov.uk/documents/s84666/B%20-%20Delivering%20marketing%20and%20business%20development%20-%202013%2010%2001%20-%20v1%207.pdf>