

## Meeting of Executive Members for City Strategy and Advisory Panel

7 June 2006

Report of the Director of City Strategy

### 2005/06 Economic Development Finance & Performance Outturn

#### Purpose of Report

- 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 2005/06
  - b) outturn (2005/06) 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)
    - Staff Management Targets (sickness absence)

#### Economic Development Provisional Revenue Outturn 2005/06

- 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 19 December 2005 covering the period up to 30 November 2005. This showed that the projected outturn for Economic Development at that time could be contained within the approved budget of £1,877k.
- 3 The latest approved budget for Economic Development for the year is £1,908k. Provisional outturn expenditure is £1,878k a gross underspend of £30k against the latest approved budget and represents a variation of 1.6% on the portfolio's net budget.

	<b>Ec Dev</b> <b>£'000</b>
Latest Budget	1,908
Provisional Outturn	1,878
Gross Underspend	<u>-30</u>
% Of Latest Gross Budget	-1.6%
Requested Carry Forwards	
City Centre Partnership	<u>25</u>
<b>Net Underspend/Overspend</b>	<u>- 5</u>

- 4 The gross underspend of £30k compares to a projected £nil underspend reported after the second monitoring report. The main change from the reported position is the £25k underspend in the City Centre Partnership which has resulted from a requirement to spend the Yorkshire Forward grant prior to the council's contribution. However, as part of the contract with Yorkshire Forward this contribution will need to be carried forward and spent in future years. It is necessary therefore to request a carry forward for this budget. This is primarily a presentational variation since the £25k carry forward for the City Centre Partnership had been agreed as part of the Partnership's business plan and had therefore been built into the figures reported at the last meeting. There was also a shortfall of £38k in income from Newgate Market which has been offset by reduced operating costs and other savings within City Centre Management budgets totalling £35k. Other budgets within Economic Development underspent by £8k.

### **Tourism Investment Fund**

- 5 As reported in the second monitoring report, the majority of the work of the work was expected to be completed by the end of the year. This has been achieved but some of the architectural lighting and work on the city walls visitor information panels, interpretation and trail leaflets will not be completed until July: the funding profile for the scheme accommodates this.

### **York Training Centre**

- 6 As reported to previous meetings the work of the York Training Centre is dependent on external contracts (wholly funded externally) and with the withdrawal of government schemes and tighter funding regimes on existing contracts, significant adjustments have had to be made to come within budget. At the previous meeting it was reported that this could be managed within budget and the Centre's reserves, and this has been achieved.
- 7 At the end of the financial year the York Training Centre reserves are £10k, following a deficit of £27k for the financial year (2.3% of turnover). This has been achieved through managing a 12% reduction in turnover and staff reductions of around 20%.
- 8 The priority for 2006/07 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. However the management action undertaken during 2005/06 to reduce staffing levels leaves the centre in a better position to manage the situation than that of 12 months ago. A review of current expenditure requirements on a month by month basis is also being undertaken. Updates will be brought to Members as the year progresses.

### **Future Prospects**

- 9 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.

### Carry Forward Request

- 10 As part of the City Centre Partnership contract with Yorkshire Forward, and the Partnership's business plan. The Council agreed to carry forward its own funding so that Yorkshire Forward funds could be taken up over the first two years of the project. A formal request is therefore made to carry forward the £25k underspend. This will meet the council's contractual commitment to Yorkshire Forward.

### Economic Development performance indicators within the Leader portfolio

- 11 There are some marked improvements in service performance compared to 2005/06 targets, particularly in relation to:

- VJ15c: (business confidence) balance of firms expecting turnover to rise in the future rather than fall
- VJ15e - Maintain a positive York Business Survey moving average employment figure

Areas where 2005/06 year end performance was below target are:

- VJ15d: balance of firms where turnover has grown rather than fallen.
- CCP3: Percentage of stall take ups in Newgate Market.

- 12 Performance indicators on the Economic Development service plan are attached as Annex 1.

PI Description	04/05 outturn	05/06 target	05/06 actual	04/05 vs 05/06	Actual vs. Target
VJ15a: York's unemployment rate below the regional rate	1.5% below	1.2% below	1.5% below	✓	✓
VJ15b: York's unemployment rate below the national rate	1.2% below	1% below	1.25% below	✓	✓
VJ15c: (business confidence) balance of firms expecting turnover to rise in the future rather than fall	35%	20%	29.6%	✗	✓
VJ15d: balance of firms where turnover has grown rather than fallen	23.5%	20%	16.10%	✗	✗
VJ15e - Maintain a positive York Business Survey moving average employment figure	8.6%	Above 0%	12.7%	✓	✓
CCP3: Percentage of stall take ups in Newgate Market	73%	74%	65.33%	✗	✗
VJ3: % of residents using Future Prospects' services that obtain jobs or enter training	20.50%	18%	21%	✓	✓

- 13 VJ15a (York's unemployment rate below the regional rate) and VJ15b (York's unemployment rate below the national rate) exceed the targets set for them and match or better 2004/05 performance. The smaller difference between the York and regional unemployment rates has arisen because of the relatively improved economic performance in the region. Both these indicators show that York is on target in relation to improving national economic conditions.
- 14 VJ15c (business confidence; balance of firms expecting turnover to rise in the future rather than fall) year end performance is lower than the 2004/05 outturn because business confidence in the second half of 2005 fell back due to a firmer monetary stance seen in higher interest rates, the cooling of the housing market while other factors such as higher energy prices and repayment of consumer debt resulted in lower levels of consumer demand. Despite these tightening factors, this indicator exceeded its target of 20%, achieving 29.6% for 2005/06. There was one particularly poor result relating to the fourth quarter of 2005 (at a time of steeply rising oil and gas prices), which depressed the overall average for the financial year.
- 14 VJ15d (balance of firms where turnover has grown rather than fallen) has not met its 2005/06 target and has performed below the 2004/05 outturn. The turnover indicator for the York Business Survey has exhibited a downward trend for a two-year period, which began in 2004 and accelerated in 2005. This has coincided with national economic factors that have caused concern for business; reduced levels of consumer spending, higher interest rates, a falling housing market and increased energy prices to name the principal ones. These effects have clearly had an impression on the York economy too and the level of 20% as an average for the year has been missed by 3.9% under-achievement.
- 15 VJ15e (the number of new business starts) at 12.7% has met its target of being above 0% and the 2004/05 outturn of 8.6%. Despite some difficult trading conditions, the York economy has continued to grow its employed workforce. While harder trading conditions have faced employers over 2005/06, employers have not translated these into reducing employee levels.
- 16 CCP3 (percentage of stall take ups in Newgate Market) 2005/06 year end figure of 65.33% has not achieved its 2005/06 target of 74% or performed above the 2004/05 outturn of 73%. The reasons for this indicator failing to meet its target are well known throughout the markets industry as a whole as markets are currently suffering a national decline as more out of town shopping outlets are opening. 2005/06 also had no Easter and this will have influenced the figures negatively. Stall allocations are also dependent on favourable weather conditions. An action plan has been agreed to attract more traders – including additional advertising, customer research, a new market brochure, 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.
- 17 VJ3 (percent of residents using Future Prospects' services that obtain jobs or enter training) has exceeded the target of 18% and the 2004/05 outturn of 20.50%. It shows that this indicator is consistent and that the services at Future Prospects are being utilised by residents.

- 18 The Customer First figures show that Economic Development answered 100% of all letters for 2005/06 within the Councils 10 days standard. This exceeds the corporate target of 95%.
- 19 Year End sickness absence for Economic Development is 14.01 days per FTE. Performance does not meet the corporate 2005/06 year end target of 12 days per FTE. The figures reflect unusually high levels of long term sickness in the Economic Development Unit itself, York Training Centre and Future Prospects. Also, the former Marketing Director at york-england.com appears in the figures. Action is being reviewed to identify key issues to improve figures in 2006/07.
- 20 There are a number of other locally set performance indicators used by the Economic Development Unit to monitor and manage performance. Further detail can be obtained from the DE DS Performance Development officer.

### **Capital Expenditure**

- 21 The 2005/06 Economic Development capital programme comprised two schemes both carried over from 2004/05 as detailed in the table below:

<b>2005/06 Budget</b>	<b>£000</b>
Small Business Workshops (Amy Johnson Way)	733.9
ABB Site Regeneration (Holgate Park)	2.2
<b>Total</b>	<b>736.1</b>

#### **Holgate Park**

Approved Budget at Q3	<b>£2.2k</b>
Outturn at 31 <sup>st</sup> March 2006:	<b>£2.1k</b>

- 22 The main arch works at Holgate Park were completed in July 2004. The capital allocation in 2005/06 has funded the payment of retentions and minor completion works. The retentions of £2.1k were paid in July 2005.

#### **Small Business Managed Workshops**

Approved Budget at Q3	<b>£733.9k</b>
Outturn at 31 <sup>st</sup> March 2006:	<b>£ 27.0k</b>

- 23 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. The Amy Johnson Way Site will be sold to a developer and leased back by the Council. The new facility will be managed by York Selby & Malton Business Advice Centre Ltd (YSMBAC) – the company set up by the Council and partners to provide business support services in York and surrounding areas. Subject to the relocation of tenants and agreeing a land exchange with the Caravan Club the Parkside and Fishergate sites will be marketed for sale for development, avoiding extensive repair costs in the future and generating receipts.
- 24 Subject to planning consent it is anticipated that the new development could be in operation by April 2007.

- 25 There is an underspend of £706.9k against the budget as finalising the details of the most advantageous transfer arrangements took longer than anticipated and it was not possible to adjust the provision in advance of the proposed arrangements being confirmed late in the financial year. The proposals agreed at the Resources and Leader EMAPs in March 2006 mean that the Capital requirement for the scheme is £446k lower than originally anticipated therefore only £260.9k of the underspend needs to be carried forward for this project in 2006/07, releasing the remaining provision for other projects within the Capital Programme.
- 26 Actual spend in the year was £29.1k, an underspend of £707k compared to the budget of £736.1k.
- 27 The following table sets out the proposed rephasing of scheme funding.

	<b>2005/06</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
Amy Johnson Way	-706.9	+260.9
ABB Site Regeneration (Holgate Park)	-0.1	0
Total	-707	+260.9

### **Consultation**

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

### **Options**

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

### **Implications**

#### **Financial**

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

#### **Human Resources**

- 31 There are no significant human resources implications within the report

#### **Equalities**

- 32 There are no significant equalities implications within the report

#### **Legal**

- 33 There are no significant legal implications within the report

### **Crime and Disorder**

34 There are no significant crime and disorder implications within the report

### **Information Technology**

35 There are no significant Information Technology implications within the report.

### **Property**

36 There are no significant Property implications within the report

### **Other**

37 There are no other implications within the report

### **Risk Management**

38 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 2006/07 budget to identify whether there are any recurring issues.

39 The continued downturn in rental incomes from the Market showed a shortfall of £38k (7%) of income during the year and this will need to be closely monitored. This deficit was partly due to no Easters occurring within the Financial year and it is also anticipated that the appointment of a new Markets Manager will help to reduce this shortfall. There are also concerns over the trading position of the York Training Centre as outlined in paragraphs 6-8. The low levels of reserves means that the service needs to at worst break even during 2006-07.

40 The two above issues will be closely monitored and issues brought back to Members as part of the 2006-07 budget monitoring process.

### **Recommendations**

41 That the Advisory Panel advise the Executive Leader to:

- note the Economic Development provisional performance and revenue and capital outturn for 2005/06;
- approve the carry forward of the City Centre Partnership budget as detailed in paragraph 10, subject to the approval of the Executive.

Reason – in accordance with budgetary and monitoring procedures

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**Report Approved****Date** 24<sup>th</sup> May 2006

Bill Woolley  
Director of City Strategy

**Report Approved****Date** 24<sup>th</sup> May 2006**Wards Affected:****All**

**For further information please contact the author of the report**

**Attached Annexes**

Annex 1 Economic Development Performance Indicators

**B****Background Papers**

2005/06 Estimate Files  
2005/06 Budget Monitoring Files  
2005/06 Closedown Files