

Report of the Assistant Director (Customer and Communities)

Make It York Finance Update

Purpose of Report

1. To consider reports from Make It York (MIY) outlining the company's financial performance for the year ended 31st March 2021 and trading update for the first quarter of 2021/22.

Recommendations

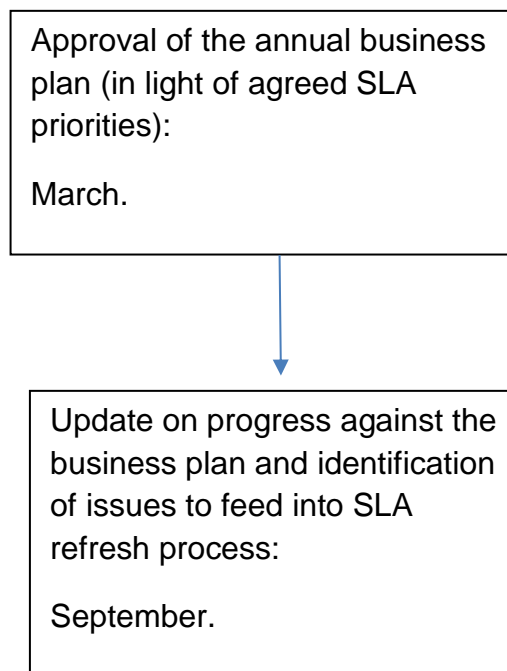
2. The committee is ask to note the reports from Make It York attached as Annexes 2 to 5 of this report.

Reason: to ensure that the Council is updated on the financial performance of Make It York.

Background

3. MIY was established by the Council in 2015 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 was able to enter into a contract to deliver these services without the need for a procurement exercise, as is permitted by regulation 12 of the Public Contract Regulations 2015, since 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. In May this year the Council's Executive agreed to enter into a new three-year contract with MIY. A new service specification (or SLA as it is often informally referred to) was negotiated between the Council and the MIY board (see Annex 1). This is laid out under four main headings:
 - **The Economy:** promoting York as a business location through all of MIY's activity

- **Visitor Economy:** covering destination management and tourism sector development
 - **City Centre:** covering markets, city centre vibrancy and commercial events
 - **Culture:** focussing on driving the Culture Strategy, major events and the Unesco Creative City designation
5. The inward investment and economic development functions previously carried out by MIY were removed from the SLA and these functions have returned to the Council.
 6. The Service Specification also sets out key deliverables, outcomes by which performance will be measured, and detailed delivery tasks.
 7. MIY reports to the Shareholder Committee twice a year as follows:



8. This year, with the contract renewal process extending to May, it was not possible for MIY to produce a business plan in March. Following the departure of the MIY Managing Director it will now be necessary to wait for the new appointee to take up post before a business plan can be produced and brought to this committee for approval.
9. Although a business plan is not yet in place, MIY have continued to deliver strongly against the SLA. The Quarterly Narrative Report, which is produced by MIY as part of the client contract monitoring process, is attached at Annex 4 and provides some insight for the committee into MIY's current activity.

Financial update

10. Whilst MIY had previously been financially successful across the life of the contract (the CYC annual net funding to MIY being reduced from £544k in 2015/16 to £324k in 20/21), meeting its budget targets and producing a £25k annual dividend for the council, the pandemic has been extremely difficult for the company, as it has for thousands of businesses across the country. MIY's revenues have been decimated and, although the company's board reduced costs and cut all non-essential spend, these measures were not sufficient to ensure the commercial viability of the business. As a result of this, the Executive in December 2020 had to take significant measures to secure the future of the company, agreeing to:
 - a. Waive the requirement for MIY to make a revenue return to the council in 20/21 in respect of trading activity across the city centre
 - b. Defer the first two quarters rent due from MIY in 20/21 for use of premises on Museum Street and Silver Street offices in line with arrangements for all council commercial tenants
 - c. A loan facility from the council of £300k to be accessed by MIY only if necessary
 - d. Provide a letter of guarantee to MIY with respect to the company's liabilities up to a maximum of £1m over the next 2 years to enable the company to continue as a going concern
11. MIY have worked closely with officers since December to monitor the company's ongoing financial position. Annex 3 provides a summary of the company's current financial position whilst confidential Annex 5 provides further detail of the financial performance.

Risk Management

12. There are no specific risk issues arising from this report beyond those highlighted in the text.

Implications

13. There are no additional legal, HR, equalities, crime and disorder, information technology, property or other implications arising from this report.

Annexes

1. Service specification ("the SLA")

2. Make It York update
3. Make It York Financial Report – Summary
4. Quarterly Narrative Report – May to July 2021

Confidential Annex

5. Make It York Financial Report

Author:	Chief Officer responsible for the report:			
Charlie Croft Assistant Director (Customer and Communities)	Pauline Stuchfield Director of Customer and Communities			
	Report Approved	✓	Date	24.8.21.
Wards Affected: All				
For further information please contact the author of the report				