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

8 September 2008

Report of the Director of City Strategy

### **2008/09 FIRST 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:
  - National Performance Indicators
  - Customer First targets (letter and telephone answering)
  - Staff Management targets (sickness absence & appraisals completed)

#### **Background**

2. This is the first monitoring report for 2008/09 combining financial and service performance information for the Economic Department to be brought to City Strategy EMAP.
3. 2007/08 was the last year when it was statutorily required to collect and report on Best Value Performance Indicators (BVPIs). Though a number of BVPIs are now reported locally to Directorate Management Teams and Executive Member Advisory Panels they have been superseded by a new indicator suite, National Performance Indicators (NPIs).
4. This new national indicator set for local authorities and local authority partnerships was made official on 1st April 2008. The indicators have been developed as part of the Comprehensive Spending Review 2007 so that they reflect the Government's priorities. The 198 Indicators will be the only means of measuring government agreed national priorities. Additionally the new indicators aim to strengthen the incentives for closer partnership working to deliver joined up outcomes. This is because they apply (where applicable and relevant) to other local partners such as the police and Primary Care Trusts.
5. For Economic Development there are 14 new National Performance Indicators. The majority of these are annual and therefore will not be reported on until the end of the financial year. In some instances the NPIs are completely new and

consequently there may not be any set targets because there is little or no historical information. However targets will be set for 2009/10 using 2008/09 performance as a baseline figure.

### Finance Summary

6. The current approved budget is £2,345k, including £15k carried forward from 2007/08 and a further £20k to reduce the market income expectation. Current projections are that Economic Development will outturn at £2,368k, an overspend of £+23k. There are also a number of areas where members receive a regular update and these are set out below in paragraphs 7 to 15.

	£'000	%
<i>£+54k shortfall on Newgate market tolls continuing the underlying downward trend in market income across the country. This is offset by £-4k additional income from the electricity substation in the compactor yard and a likely additional £-10k saving through restructuring the markets cost base from October 2008.</i>	+40	+10
<i>£-7k savings in city centre from additional income from events</i>	-7	-23
<i>£-10k saving in Strategic Partnership Team due to staff vacancies</i>	-10	-3
<b>Total Economic Development</b>	<b>+23</b>	<b>1.0</b>

### York Training Centre (YTC)

7. 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.

8. At the end of the last 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.
9. 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**

10. 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.

### **Science City**

11. Progress continues to be made through Science City York Ltd to achieve the targets set out in funding contracts with Yorkshire Forward.
12. In April the Science City York team moved from George Hudson Street to new offices in the Science Park at Heslington.
13. The development of the Terry's Chocolate Works is still to be considered by the Planning Committee. Following this, it is proposed to re-commence discussions with both the developer and Yorkshire Forward regarding the construction of a Digital and Creative Technologies Centre on this site as part of the expansion of Science City York activities. 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.
14. 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 complement the existing business model across York and North Yorkshire under the Nurturing Project.

## Markets (+£40k)

15. 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. The Executive agreed to a supplementary estimate of £20k to reduce the target in 2008/09 however a forecast of £54k deficit is still anticipated. 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 miscellaneous income (£-4k) and a restructure of the staffing arrangements for the markets which is to be effective from October 2008 (£-10k).

## Performance Overview

16. Performance indicators for the Economic Development service plan are attached as Annex 1.
17. Where necessary more detailed information is given on the performance of certain indicators on an exception basis below.

Performance indicator	Q1 07/08	Q1 08/09	Target 08/09	Q1 08/09 Vs Q1 07/08	Performance vs target
VJ15a: York's unemployment rate below the regional rate	1.5% below	1.44% below	1.5% below	x	x
VJ 15b: York's unemployment rate below the national rate	1.2% below	1.05% below	1% below	x	✓
VJ15d: Balance of firms where turnover has grown rather than fallen	21.8%	11.4%	20%	x	x

18. VJ15a (York's unemployment rate below the regional rate) performed at 1.44% for Q1 2008/09 and has only slightly missed the set target of 1.5% and the 2007/08 quarter 1 figure of 1.5%. VJ15b (York's unemployment rate below the national rate) is on target but is slightly less than the equivalent period in 2007/08. Both indicators depend on the relative levels of unemployment between York and either the region or nationally. For Quarter 1 regional and national performance has been better than in previous month. The picture may alter as the economic slowdown progresses, when the resilience of jobs in a less buoyant economic climate will be tested. Recent announcements of job losses, particularly in the construction sector, are likely to mean that York has been more adversely affected by recent changing economic circumstances compared to national and regional averages. The Council has sought to respond quickly to this issue, with a series

of actions approved by the Executive in July as part of a report on the Thriving City.

19. VJ15d (balance of firms where turnover has grown rather than fallen) is currently performing at 11.4%, which is well below the target of 20% and 2007/08 quarter 1 performance of 21.8%. This indicator relates to the recent sales or turnover performance in York firms. This is part of a continuing trend as consumption by households and firms is under pressure.
20. Sickness absence for Economic Development is 1.37 days per FTE for the first 3 months of the year which is an improvement compared to the quarter 1 2007/08 figure of 2.79 days. This level of performance is also better than the corporate performance of 2.32 days and the corporate target for quarter 1 of 2.75 days.
21. For Economic Development 92.40% (representing 3,829 out of 4,144) telephone calls were answered within 20 seconds in Quarter 1. This is below the corporate target of 95%. Action is being taken through management team meetings to remind staff of the performance levels expected to be achieved.
22. Further details on performance data can be obtained from the City Strategy Performance Development officer.

### **Capital Programme**

23. The Economic Development capital programme comprises of two schemes for 2008/09.

	<b>Original 2008/09 Budget £000</b>	<b>Carry fwd from 2007/08 £000</b>	<b>Current 2008/09 Budget £000</b>
Small Business Workshops (Amy Johnson Way)	0	58	58
Tourist Information Centre	100		100
<b>Total</b>	<b>100</b>	<b>58</b>	<b>158</b>

24. The York Eco Business Centre building handover by Helmsley Group to the Council took place on 18<sup>th</sup> August while the site at Amy Johnson Way has been now been purchased by the new building's owners and the agreement with the Council settled. The building is now leased by the Council on an 11 year lease and will be managed for the first two years by York, Selby and Malton Business Advice Centres Ltd trading as York Business Advice Centre. After this initial period the management of the centre and business management services must go out to competitive tender. The building is awaiting only its wind turbine for completion and this is expected to be installed next month. Fifteen small businesses have so far committed to moving in from early September - 25% of the building's capacity.

## **Conclusions**

25. Economic Development is expected to overspend its budget of £2,345k by £+23k. Strenuous efforts will be made to monitor spend to bring this in line with the approved budget for the remainder of the financial year.
26. Performance on most key indicators shows a slowing economy and pressure on household and firm consumption. Levels of sickness absence have improved and are better than the corporate average.

## **Consultation**

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

## **Options**

28. 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**

29. The principal function of this report is to provide a snapshot of the directorate's financial performance during the 2008/09 financial year. As such it contributes to the proper financial management of the authority.

## **Other Implications**

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

## **Risk Management**

31. 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 2008/09.

## **Recommendations**

32. 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

**Author:**  
**Patrick Looker**  
**Finance Manager**  
City Strategy  
Tel No.551633

**Chief Officer Responsible for the report:**  
**Bill Woolley**  
**Director of City Strategy**

**Sarah Milton**  
**Performance Officer**  
City Strategy  
Tel No.551460

**Report Approved**  **Date** 18<sup>th</sup> Aug 2008

**Wards Affected:** **All**

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

### **Background Documents:**

2008/09 Budget Monitoring files held in City Strategy Finance  
Performance Management Framework held by Business and Policy Development

### **Annexes**

Annex 1 Economic Development Performance Indicators