
Executive Members for City Strategy and Advisory Panel

6 June 2007

Report of the Director of City Strategy

2006/07 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 2006/07
 - b) outturn (2006/07) 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 2006/07

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 11 December 2006 covering the period up to 30 November 2006. This showed that the projected outturn for Economic Development at that time could be contained within the approved budget of £1,962k, following a budget transfer of £119k from City Strategy to cover the additional management costs and expected shortfall in market income.
3. The latest approved budget for Economic Development for the year is £2,266k. Provisional outturn expenditure is £2,248k a gross underspend of £-10k against the latest approved budget and represents a variation of -0.1% on the portfolio's net budget.

	£'000	%
Latest Budget	2,272	
Provisional Outturn	2,262	
Gross Underspend	-10	-0.4
Carry Forwards Requested	7	
Net underspend	-3	-0.1

4. The gross underspend of £-20k compares to a projected break-even position reported after the second monitoring report. The main variances are:

	£'000	%
Additional £-15k rental income in the city centre, plus £-6k saving in overheads	-21	-4%
Further £+22k shortfall on Newgate market tolls after £17k adjustment in Monitor 2. This offset by £-4k additional income from the electricity substation in the compactor yard and extra £-4k from speciality markets	+14	+2%
£-7k saving in Without Walls due to deferring publication of LAA document and website update	-7	-64%
The costs of the Future York which has been meeting over the last 6 months to discuss the future of the city amount to £+10k	+10	+100%
The anticipated additional contribution to Key Cities following changes to boundaries of the area has not occurred resulting in savings of £-10k. Further £-10k savings have been made in business support due to reductions in contributions and hospitality	-20	-28%
Christmas tree costs (£+10k) and other overspends	+14	-0.1%
Total Economic Development	-10	-0.1%

York Training Centre

5. 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.
6. At the end of the financial year the York Training Centre reserves are £3k, following a deficit of £7k for the financial year (1% of turnover). This has been achieved through managing a 40% reduction in turnover, staff reductions of around 22%, plus significant reductions in accommodation and travel, particularly since reducing the training at Selby, but also as part of a general cost-cutting exercise.

7. The priority for 2007/08 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 2006/07 to reduce staffing levels leaves the centre in a better position to manage the situation than that of 12 months ago. Updates will be brought to Members as the year progresses.

Christmas Tree

8. As an alternative to contributions towards putting up Christmas lights, Members agreed to erect an illuminated Christmas tree in Parliament Street. Funding would be raised through donations from local businesses and the public. This is a summary of the income and expenditure:

	£'000
<u>Expenditure</u>	
Hire of tree	20
Installation, power & mtce	2
Total cost	<u>22</u>
<u>Funding</u>	
York Business Pride	3
External Donations	9
CYC Contribution	10
Total Funding	<u>22</u>

9. Members agreed at Executive (12th September 2006) that any shortfall in income from donations would be funded from council reserves. Given the underspend in the Economic Development service the shortfall can be contained within budget.

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.

Carry Forward Request

11. Without Walls had planned to publish a document to launch the review of the Community Strategy during the year but this has been deferred until the summer. In addition, the planned update of the website did not happen as expected. A formal request is therefore made to carry forward the £7k underspend.

Economic Development performance indicators within the Leader portfolio

12. There are some marked improvements in service performance compared to 2006/07 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.
13. Performance indicators on the Economic Development service plan are attached as Annex 1.

PI Description	05/06 outturn	06/07 target	06/07 actual	05/06 vs 06/07	Actual vs. Target
VJ15c: (business confidence) balance of firms expecting turnover to rise in the future rather than fall	29.6%	15.0%	26.0%	✗	✓
VJ15e - Maintain a positive York Business Survey moving average employment figure	12.7%	3.0%	8.4%	✗	✓
CCP2: The number of city centre events (including event markets) organised by the City of York Council annually.	34	31	40	✓	✓
VJ3: % of residents using Future Prospects' services that obtain jobs or enter training	21.0%	18.0%	25.5%	✓	✓
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	1.25% below	1% below	1.2% below	✗	✓

14. VJ15c (business confidence; balance of firms expecting turnover to rise in the future rather than fall) year end performance is slightly lower than the 2005/06 outturn but above the target of 15%. The rise in business confidence in 2006/07 can be partly attributed to energy companies reducing their prices for oil, gas, electricity and water. However a rising interest rate may stall performance for 2007/08.
15. VJ15e (the number of new business starts) at 8.4% has met its target of 3% but is below the 2005/06 outturn of 12.7%. Results for this indicator have been poorer since 2004/5 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 firmer interest rates. Much of this is part of the normal

economic cycle caused, to a degree, by external factors as some producers attempted to pass on higher costs to their customers. 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 2006/07, employers have not translated these into reducing employee levels.

16. The CCP2 (the number of city centre events (including event markets) organised by City of York Council) 2006/07 year end figure of 40 has achieved its target of 31 and has performed above the 2005/06 outturn of 34. Events and specialist markets increased from 2005/06 to incorporate some new initiatives ("Expressions", Children's Toy Fayre, German Christmas Market, Lesbian Arts Festival, Festival of Fairtrade). New opportunities became available and new organisers came forward to enable a more comprehensive Events programme offer for 2006/07.
17. A Talkabout survey undertaken in May 2006 showed that 75% of respondents had visited the various markets held in the city. York residents were also asked to rate the city centre events that they had attended. The residents were most impressed with the Residents' First weekend, the farmers market and the festival of food and drink with almost three quarters rating these events as very good or good. The specialist markets, the ice rink at the Eye of York, the Festival of Angels and St Nicholas Fayre were also well received with over two-thirds describing these events as very good or good.
18. VJ15a is meeting and VJ15b is exceeding the set targets for 2006/07 (1.5% below and 1.2% 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 recent redundancies affecting the city.
19. VJ3 (percent of residents using Future Prospects' services that obtain jobs or enter training) has exceeded the target (18%) and the 2005/06 outturn (21%). Increased performance is due to a boost in external funding and a number of redundancies which have commenced at large employers, providing more clients who are work ready and only need a minimal service.
20. The Customer First figures show that Economic Development answered 100% of all letters for 2006/07 within the Councils 10 days standard. This exceeds the corporate target of 95%.
21. For Economic and Development 93.23% (representing 18,780 out of 20,143) telephone calls were answered within 20 seconds in 2006/07. This is just below the corporate target of 95% but exceeds the corporate figure of 89.62%.
22. Year End sickness absence for Economic Development is 14.85 days per FTE. Performance does not meet the corporate 2006/07 year end target of 11.5 days per FTE. In 2006/07 there were 8 long term sickness cases in

Economic Development and an issue with short term absence in one area which is now being addressed. The department is currently undergoing an active campaign to reduce sickness by reviewing long and short term absence in conjunction with occupational health advisors.

23. 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

24. The 2006/07 Economic Development capital programme comprised two schemes as detailed below:

Small Business Managed Workshops

Approved Budget at Q3	£260.9k
Outturn at 31 st March 2007:	£ 2.0k

25. 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. There is a separate report on the agenda of this meeting setting out progress with the Eco-Business Units.
26. Actual spend in the year was £2.0k, an underspend of £258.9k compared to the budget of £260.9k.

Tourist Information Centre

Approved Budget at Q3	£100.0k
Outturn at 31 st March 2007:	£ nil

27. An Action Plan is being prepared at the moment for the relocation of the De Grey Rooms Visitor Information Centre into an alternative location in Parliament Street. This Plan will seek to resolve outstanding issues relating to financial and business planning, and physical planning issues. Included in the capital programme is a total of £250k (over two years) required to relocate the current public lavatories and release the site for this alternative use. A business plan for the Visitor Information Centre is almost completed and will be reported to the next meeting.

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

Other Implications

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

Risk Management

32. 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 2007/08 budget to identify whether there are any recurring issues.

33. 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. 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 2007-08.

34. The two issues above will be closely monitored and issues brought back to Members as part of the 2007-08 budget monitoring process.

Other Implications

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

Recommendations

36. That the Advisory Panel advise the Executive Leader to:
 - note the Economic Development provisional performance and revenue and capital outturn for 2006/07;
 - approve the carry forward of the Grants and Partnerships 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** 22nd May 2007

Bill Woolley
Director of City Strategy

Report Approved **Date** 22nd May 2007

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

2006/07 Estimate Files
2006/07 Budget Monitoring Files
2006/07 Closedown Files

Annexes

Annex 1 Economic Development Performance Indicators