

Report of the Assistant Director (Customer and Communities)

Make It York Finance Update

Purpose of Report

1. This report provides an update from Make It York (MIY) on the company's financial performance since the report to this committee in September. The report sets out mitigations that MIY is seeking from the council, in light of Covid, in order to ameliorate its financial position.

Recommendations

2. The committee is ask to:
 - Note the final contract price as set out in paragraph 8
 - Note the reports from Make It York attached as Annexes 1 – 3 of this report
 - Refer to the Executive the financial assistance / mitigation requested by Make It York

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). The inward investment and economic development functions previously carried out by MIY were removed from the SLA and these functions have now returned to the Council.
5. The Executive agreed that, in view of the transfer of functions from MIY back to the council, the final value of the new contract and the revenue support to be provided by the council would be adjusted. A process would be undertaken with MIY to assess:
 - a. The practical date at which transfer can take place
 - b. The future cost to the council of employing the staff transferring
 - c. The saving to MIY from the staff transferring out
 - d. Any other cost implications arising for both parties from the changes to the respective organisations
6. The contract price would be adjusted to ensure that:
 - a. The council will be able to operate the transferred service within the existing budget resource
 - b. MIY will remain viable
7. This process has now been concluded and the new contract came into effect on 23 September.
8. A reduction of £212k in the contract price was agreed between the council and MIY. This represents the full cost to the council of employing the staff transferring back to the council under TUPE arrangements. (It compares with the cost to MIY of employing these staff which was £190k). The contract price is now £586k p.a. with MIY returning a revenue stream to the council of £474k p.a. meaning that the net contribution from CYC to MIY is £112k p.a.

Financial update

9. Whilst MIY had previously been financially successful across the life of the contract, 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
10. MIY have worked closely with officers since December 2020 to monitor the company's ongoing financial position. The current position, as set out in Annex 1, is that MIY is expected to generate a negative cashflow of £0.3m from its operations in 21/22.
11. MIY has approached the council regarding three potential areas of financial assistance / mitigation:
- a. relief on the business rates paid in respect of the Museum Street shop (a cost to the council of £6.4k based on the days it was closed over 2020/21 and 2021/22);
 - b. a reduction in the revenue stream required from MIY commensurate with the reduction in cashflow experienced by the company in April when the Shambles market was closed (a cost to the council of £14.3k); and
 - c. support with the cost of counter terrorism measures required during the Christmas Market (a cost to the council of £78.9k).
12. These requests appear reasonable under the circumstances and there are funding streams that could be used to fund the requests such as Covid Grant, Additional Restrictions Grant and Welcome Back Funding. It is open to the Shareholder Committee to refer these to the Executive for a decision which would be included in the Council's Finance and Performance Monitor 3 report in February 2022.
13. These items are not reflected in the attached cashflow. If granted, MIY report that they would bring the company to a projected position

of not needing to draw upon the loan facility referred to in paragraph 9c above.

Risk Management

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

Implications

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

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	Report Approved	✓	Date	9.11.21.
Wards Affected: All				
For further information please contact the author of the report				

Annexes

Annex 1. Make It York activity update

Confidential Annexes

Annex 2. Make It York forecast cashflow November 2021

Annex 3. Make It York summary profit and loss to 30 September 2021