

Advanced Material

This Advanced Material contains a pre-seen case study provided to students prior to the exam date. Students should familiarise themselves with the Advanced Material before they sit the exam. The Advanced Material provides key information and forms the basis of the requirements set out in the exam day materials. Students should carry out research into the sector and apply learning from the workbooks.

Exam: Strategic Case Study

Exam Sitting: September 2024

Tynalia

Tynalia is a country in South America that is classified by the World Bank as upper middle-income (having annual gross national income per capita between £3,500 and £11,000). It has been a democratic country, headed by an elected president, since 1994. Currently the president is Dawn Farmer, a member of the centre-right New Republican Party. The president and the cabinet members she appointed are the executive branch of government.

The legislative function is carried out by the national parliament, called the Chamber of Deputies. The 150 Deputies are elected on a proportional representation basis every four years, with the next election due in November 2025. No party has a majority in the Chamber, but the New Republican Party is the largest group, with 37 of the 150 Deputies.

The country boasts a remarkable diversity of landscapes, from arid deserts in the north, through fertile valleys and vineyards in the central regions, to the majestic, glacier-fed fjords and forests in the south. The Andelian mountain range, which runs along the country's eastern border, forms a dramatic natural barrier and influences Tynalia's climate, contributing to its varied weather patterns across different regions.

Tynalia's population is approximately 19 million, with a significant portion residing in the capital city, Valorico, located in the central valley. This urban centre is the heart of Tynalian culture, politics, and economy, and is renowned for its vibrant markets, historic architecture, and the diverse heritage of its people. The population is a rich mix of indigenous groups, descendants of early settlers, and immigrants from various parts of the world.

Tynalia's wealth is built on natural resources and a strong export-oriented economy. The northern deserts are home to some of the world's largest copper mines, making Tynalia one of the world's leading producers of the metal. The central valleys have the perfect combination of climate and soil for wine-making, and Tynalian wines are internationally acclaimed for their

quality. In addition to copper and wine, the country exports fruits, vegetables and seafood from its extensive coastline supporting rich marine biodiversity.

The national government of Tynalia has made significant investments in infrastructure and technology, aiming to diversify the economy and reduce its dependence on natural resources. Renewable energy projects, particularly solar and wind, are increasingly important, taking advantage of the country's natural assets.

Encouraging tourism is another important focus for the national government. More tourism would mean more jobs in the country's hotels, restaurants, and other tourist-related service industries. To this end, since 2020 the national government has implemented a number of policies that are intended to increase tourism. These include:

- Simplifying the tourist visa application process and reducing the fees
- Reducing the level of taxes and duties payable on international flights
- Investing in better transportation, particularly connecting the international airports to public transport systems
- International marketing campaigns, including the sponsorship of overseas sports teams
- Paying grants to museums assessed to be of national importance, in order for them to allow visitors to visit them free of charge
- Promoting sustainable tourism practices to attract environmentally-conscious travellers, by granting various tax breaks to specified qualifying businesses.

The beauty of the Andelian mountains, western coastline and southern fjords attracts tourists from around the globe. The government particularly wants to attract wealthy (high-spending) tourists from the northern hemisphere, but there are two major challenges to overcome:

- the wealthy countries of North America and Europe are 5,000km to 15,000km away (6 to 18 hours' flying time)
- the country's recent history of dictatorship and civil war that preceded the country's independence in 1994 is fresh in the global memory.

In fact, modern-day Tynalia is a relatively safe country with low levels of individual crimes like robbery and assault. The rates of cyber-based crimes such as identity theft have begun to increase in the last five years.

There are challenges with bribery and corruption, and Tynalia scored 54 out of 100 in the 2023 Global Index of Corruption. Whilst this is the best score of all countries in South America it means the country ranked 47th of the countries that were evaluated. Corruption is experienced both at the macro scale of large infrastructure contracts, and the micro scale of citizens having to pay small amounts to police officers and other officials in order to report crimes and so forth.

Despite its economic successes, Tynalia faces further challenges, including income inequality and environmental concerns. The government has been actively engaged with relevant institutions, non-governmental organisations and community groups to address these issues, striving to promote sustainable development and equitable growth for all Tynalians.

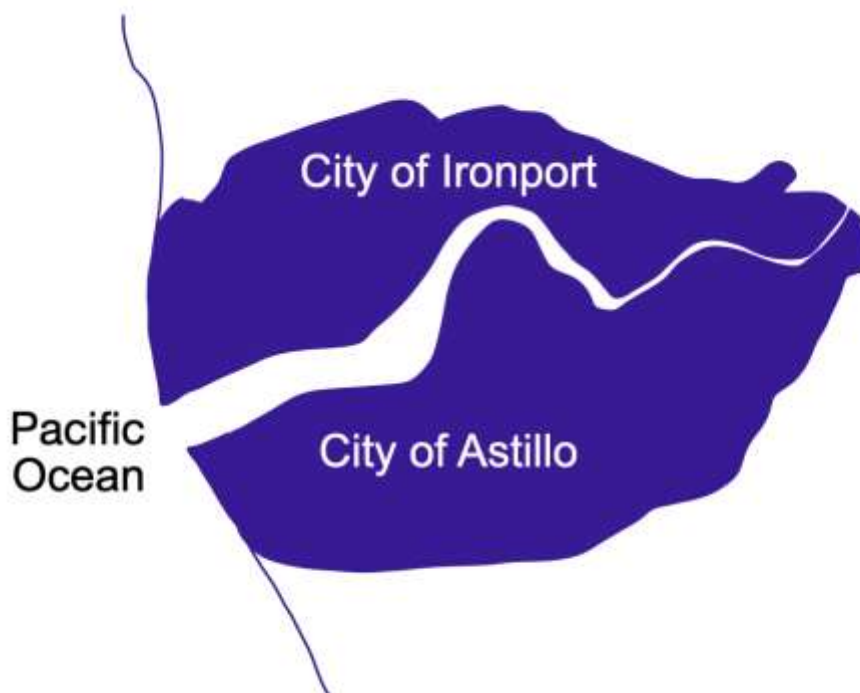
Tynalia's currency is the Tynalian Pound (£). The financial year for all public sector bodies is April to March, and all businesses and public bodies use International Financial Reporting Standards.

Astillo, Ironport and Greater Astillo

Astillo is around 350km west of Valorico. It is a port city with an industrial and shipbuilding heritage. The jobs that were once in the docks, shipyards, textile mills and other factories were lost in the 1980s and 1990s as a result of globalisation. Since that time, despite a wide range of government economic development programmes, the city has remained in the bottom 10% of Tynalia's cities and towns in terms of incomes, health outcomes and other measures of deprivation.

Astillo is located along the southern bank of the River Thorn. North of the river is another city, Ironport. These two cities are together referred to as Greater Astillo.

Map of Greater Astillo



Astillo and Ironport have similar histories and socio-economic challenges. Ironport was more industrial than Astillo, and therefore is even poorer than Astillo in all measures. This is because Ironport's economy never had the same level of financial services and other office-based workers and therefore, once the heavy industry was lost, there was much less remaining in the economy.

Both cities' economies depend heavily on the public sector for jobs. These jobs are mainly in the two city councils, the major teaching hospital in Astillo and the various other health facilities around the greater Astillo area operated by the Tynalia Health Service. Ironport also has three prisons within its boundary.

Astillo City Council

Astillo City Council (ACC) provides all the main local services to the citizens of Astillo, including education to age 18, social housing, solid waste collection and disposal, local planning and economic development.

Over the last 30 years or more it has been the recipient of funding under every one of the national government's various economic development policy initiatives. These have resulted in various improvements in the built environment, and have paid for lots of industrial and business units all around the city.

ACC is facing real-terms funding reductions, like all city and town councils in the country and is, therefore, alert to opportunities to generate income.

Through the 2000s and early 2010s, ACC operated with a surplus and built up substantial reserves. In 2014, its general (unrestricted and un-earmarked) reserves were 12% of its annual budgeted operating expenditure. However, over the last decade it has used its

reserves to support its revenue spending, and general reserves are now below 3% of its budgeted operating expenditure. Having depleted the general reserves, ACC is facing service cutbacks.

Historically, ACC's councillors have been relatively risk-averse and have managed the Council's finances prudently. This means ACC has avoided using borrowing to make the large, speculative property investments that have caused a number of other councils, including Ironport, to get into financial difficulty.

The Leader of the Council is Choi Ha Li. She is a member of the left-wing National Democracy party. She has been the Leader of the Council for 11.5 years and has recently announced she will step down as a councillor at the local elections in November 2024. There are several councillors lobbying their colleagues to be the next Leader.

ACC's management structure is headed by a senior leadership team comprising the Chief Executive and four executive directors. Each of the executive directors is responsible for a thematic programme of services. The four themes are Learning, Neighbourhoods, Development, and Resources (core internal functions including ICT, finance and human resources).

Currently, the Council has an interim chief executive, Laura Bernal, covering the position until a new person is recruited. The final interviews for the post are scheduled for 5 and 6 September 2024.

Economic development in Astillo

The Executive Director of Development is Trevor Adebayo. His responsibilities cover economic development, land use planning, tourism, local transport and sustainability.

Most of the economic development work, however, is done by the Astillo-Ironport Development Agency (AIDA), a partnership between ACC and Ironport Metropolitan Council (IMC). AIDA's remit includes marketing and promotional events, providing professional input into planning decisions, and managing non-operational land and assets owned by the councils.

AIDA was created on 1 April 2019 by merging the two councils' existing economic development teams. The key driver for this was a shared wish to save money from economies of scale. In addition, both councils were having difficulty attracting and retaining skilled and experienced staff, especially at the middle and senior management level.

AIDA operates at arm's length from both councils. It is governed by a board of five directors. Each council can nominate two non-executive directors but only one of the two can be a serving councillor. Astillo has nominated Choi Ha Li and Trevor Adebayo as its representatives; Ironport is represented by a councillor who is a member of the cabinet and a local member of Parliament. The fifth and final director is AIDA's Managing Director, an employee of the organisation.

AIDA is not a separate legal entity, so AIDA's staff are all employees of IMC. The staff who worked in economic development at ACC on 31 March 2019 had their employment contracts transferred to IMC on 1 April 2019. Some of those employees have since departed; and all new recruits to AIDA are IMC employees.

AIDA does not operate from either council's civic offices. It occupies, under a 10-year lease, a suite of offices in a refurbished railway warehouse on the northern bank of the River Thorn.

The original proposal for the partnership was for the organisation to be called the Greater Astillo Investment Agency but Ironport's councillors objected to their city's name not being included. This reflects a general feeling of rivalry between Astillo and Ironport; people from

Ironport do not like to be referred to as Asties, which is the nickname for people from Astillo. If they have to be referred to collectively, they prefer the term Thornsiders.

Existing tensions between the councils have worsened in the last three years. The impact of the COVID-19 pandemic, and its unprecedented impact on Tynalia's economy, overshadowed everything and it was easy for the parties to work together on economic development matters. As the pandemic's impact receded, each council has begun to believe strongly that AIDA favours the other council at its expense.

Public art and tourism in Astillo

For the last decade, ACC's councillors have been keen for ACC and other relevant agencies to develop the city's tourism offer. There have been many initiatives over that period aimed at increasing tourism.

Some of the tourism initiatives have been more successful than others. In 2023, an independent review by marketing consultants criticised ACC's lack of attention to the strategic positioning of the initiatives' pricing.

In 2019, ACC's Director of Development (Trevor Adebayo) drove the development of a policy to spend more money on public art. The result was the "One for the Arts" policy, under which 1% of the budget of capital investment projects that are funded (in full or part) by the Council are paid into the City Arts Fund, which is committed to be spent on public art projects.

Appendix 1 is a summary of the approved One for the Arts policy, explaining the operation of the City Arts Fund. The table below is a summary of the Fund's 2024/25 budget.

2024/25 Budget: City Arts Fund

	£
Balance brought forward (1/4/24)	86,687
Contributions from 2024/25 capital works	157,950
Planned commissions and purchases	
- Graffiti wall at Kalo Secondary School	(10,000)
- Statue in Garcia Plaza	(22,500)
- Video installation at San Marco metro station	(105,300)
Contribution to cost of the Office of Cultural Affairs	(42,100)
Forecast closing balance (31/3/25)	64,737

The works of art that ACC have commissioned and installed around the city are not specifically intended to be tourist attractions, although a few of them have achieved a level of recognition because their artists have subsequently become famous. The council did have an expectation when the policy was approved that the collection of art works, alongside marketing Astillo as an artist-friendly city, would make the city more attractive to tourists.

Trevor Adebayo had to work hard to persuade councillors, and others, of the benefits of implementing the One for the Arts programme at a time when ACC was already facing operating budget cuts and service reductions. His winning argument was the assertion that increasing tourism would not only increase the city's GDP but would, all other things being equal, increase ACC's annual tax revenue.

Paola Burden's bequest

Paola Burden was a renowned (and controversial) artist who was born in Ironport in 1954. From 16 to 18 she studied at Coppersmith's College in Astillo, the best art school in the country outside of Valorico. After graduating from Coppersmith's, she moved to Valorico and made her name as a sculptor. She spent a couple of years in New York in the 1970s, and spent most of the 1980s in Paris. She returned to Astillo in 1989 and remained there, in the same house, until she died in December 2023.

The house is a large, detached family house (194 square metres internal area). The market value of the house, based on sales of similar houses in the neighbourhood, is £600,000.

Paola's will stated that she wished her house in Astillo to be enjoyed by her fans, but did not specify exactly how this should be done. The solicitor who is executing the will has interpreted her wishes to mean that the house should be sold to an organisation that would operate the house as a museum (with the sale proceeds being added to her estate for the benefit of her heirs).

Candidate's role

The candidate is Sam Campbell, a newly-qualified accountant in Astillo City Council, supporting the Directorate of Development.

Abbreviations

ACC Astillo City Council

AIDA Astillo-Ironport Development Agency

GDP Gross Domestic Product

IMC Ironport Metropolitan Council

Appendix 1: Summary of the One for the Arts policy

This is an abridged text of ACC's resolution to create and operate the City Arts Fund.

Aim of the "One for the Arts" policy

Astillo City Council (ACC) wishes to expand the public experience of visual art. This "One for the Arts" policy aims to achieve this through the direct inclusion of funding for artworks within the City's capital works.

City Arts Fund

All requests for construction projects to be included in ACC's capital programme shall include an amount equal to one (1) percent of the total estimated cost of the project, for works of art. A construction project is any capital project paid for wholly or in part by ACC to construct or remodel any building, structure, park, utility, street, or parking facility, or any portion thereof, within the limits of the city of Astillo.

When ACC approves any such request, a sum equal to at least one (1) percent of the approved project cost will be deposited into the City Arts Fund.

Money collected in the City Arts Fund shall be expended by the Office of Cultural Affairs for projects as prescribed by the City Arts Plan.

Any unexpended funds shall be carried over automatically for a period of five (5) years. Any funds unexpended at the expiration of such period shall be transferred to the General Fund.

Office of Cultural Affairs

To carry out its responsibilities under this policy, the Office of Cultural Affairs will be created within the Directorate of Development. The Office of Cultural Affairs shall:

- Prepare, for approval by the Council, an annual City Arts Plan, setting out guidelines to implement the plan, such as methods for the selection of artists or works of art and for placement of works of art.
- Authorise the purchase of works of art or commission the design, execution and/or placement of works of art, and provide payment from the City Arts Fund.
- Comply with the Council's procurement regulations in commissioning and purchasing works of art, whether existing or to be created for the Council. Works of art that are expected to cost more than £25,000 must be subject to open competition.
- Where any proposed work of art requires extraordinary operation or maintenance expenditure, obtain prior approval from the executive director who will be responsible for any such operation or maintenance.

City Arts Fund

The City Treasurer shall maintain a special fund designated "City Arts Fund" into which shall be deposited funds appropriated under this policy, together with such other funds as the City Council shall identify for works of art, and from which expenditures may be made for the acquisition and exhibition of works of art consistent with the approved City Arts Plan, and for Office of Cultural Affairs' staff and administrative costs associated with developing and implementing the City Arts Plan. "Administrative costs" means all costs incurred in connection with the selection, acquisition, installation and exhibition of, and publicity about, City-owned works of art.

The ongoing costs of operating and maintaining City-owned artworks cannot be charged to the City Arts Fund.