

Leicester
City Council

WARDS AFFECTED
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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
Overview & Scrutiny Management Board
Cabinet

8th July 2008
14th July 2008

Establishing a New Economic Development Company for Leicester and Leicestershire

Report of the Corporate Director, Regeneration & Culture

1. PURPOSE OF REPORT

- 1.1 This report seeks Cabinet approval to the principle of establishing a City Development Company across Leicester and Leicestershire as called for in the One Leicester Sustainable Community Strategy.

2. SUMMARY

- 2.1 This report outlines the principles of establishing an Economic Development Company following the completion of an initial feasibility study (see Appendix One). This report takes into account existing economic delivery functions across the whole of Leicester and Leicestershire and scopes out further actions for implementation.
- 2.2 This work has been developed directly in line with the aspirations as set out in One Leicester. Priority 7 (Invest in skills and Enterprise) directly seeks the creation of a City Development Company to co-ordinate and promote the regeneration of the City with an emphasis on creating more jobs in Leicester.

3. RECOMMENDATIONS

- 3.1 Endorse the principles, direction of travel and functionality of the Economic Development Company (EDC) as outlined in the report.
- 3.2 Agree to the establishment of the EDC as set out in the work programme detailed at 5.14 including the early appointment of a Chief Executive to be responsible for driving this programme forward and leading the new organisation.
- 3.3 That a further report formally launching the EDC be considered by Cabinet before March 2009.

4. REPORT

Background

- 4.1 In December 2006 the Department for Communities and Local Government (DCLG) produced a consultation paper on the potential around Economic Development Company (formerly City Development Company) and driving forward economic growth and regeneration.

- 4.2 In responding to this consultation in March 2007, it was identified that an EDC could assist Leicester's "place shaping" agenda over the next 5 to 7 years. It could bring a more effective alignment of objectives and funding across the agencies whilst simplifying the organisational landscape. Delivering an EDC for the City was also a key manifesto commitment of the Labour Administration.
- 4.3 Taking this forward, consultants were commissioned by a partnership involving the City Council, the County Council, District Councils and EMDA and the private sector. The consultants brief was to carry out an initial assessment on the scope and form of an Economic Development Company including looking at the best spatial fit for economic development activities in the City and County.
- 4.4 The full report which has been through extensive stakeholder consultation is attached at Appendix One. An executive summary of the report is provided in section five of this report below.
- 4.5 Consultation was structured in four different ways. Firstly a Steering Group was established that involved lead officers and Members from the City and County, lead officers from the District Councils, EMDA and Leicestershire Business Voice. Secondly a Stakeholder Group was established Chaired by the Chamber of Commerce and involving all organisations and agencies that currently have a stake in economic development and regeneration activities. A Technical Group was also established to ensure local expertise and experience was drawn up on. Finally a draft paper was sent out to a wider stakeholder list for comment and analysis.

5. EXECUTIVE SUMMARY

Areas of Consensus

- 5.1 An initial consultation exercise was undertaken by the consultants across main economic development delivery organisations and local authorities including district councils.
- 5.2 The consultation process highlighted a number of areas of consensus across stakeholders which have shaped the approach to developing a new model. Some of the key agreements were:-
- Shared Appetite for change across Leicester/Leicestershire agencies.
 - Shared concern need to enhance overall economic performance.
 - Agreement existing structures should be streamlined to enhance operational efficiency.
 - Private sector capacity to resource the array of boards is a key factor in improving efficiency
 - Capacity is 'stretched' and current arrangements risk undermining private sector engagement and confidence in economic development leadership in the sub-region.
 - Acknowledged that that principal urban area of Leicester (PUA) is the engine for growth of the sub-regional economy and should be primary focus for economic activity.
 - Recognition key assets such as airport, Loughborough University and several large scale employers are located outside of the PUA and therefore cross-border

working is required to effectively harness this asset base and support the City's growth and the sub-region's economic performance.

- Co-ordinated approach on delivery housing infrastructure and growth targets and need to align housing and economic growth in the sub-region.
- Board agreement that physical development (supply side) and business investment activity (demand side) should be more integrated. The potential synergies of providing these services 'under one roof' are recognised.

5.3 Consultees considered a diverse spectrum of forms of collaboration which could provide the structural basis for future economic development governance across the sub-region. This ranges from continued informal partnership working through to more formalised collaboration arrangements and to a new incorporated entity. Given the appetite for change and the drive for a more streamlined and efficient approach, there is a consensus amongst agencies that an EDC would have the potential to add significant value to the delivery of economic development, albeit not necessarily as a "catch all" organisation

Spatial Delivery

5.4 Different spatial levels such as City Boundary, County Boundary or the Leicester urban area were looked at. Based on the analysis undertaken details in the consultation paper (section 2.4 of Appendix 1) an outline was reached to cover the whole of the Leicester and Leicestershire but focusing specific activities on the Leicester Urban Area (see para. 5.8.1).

EDC Vision

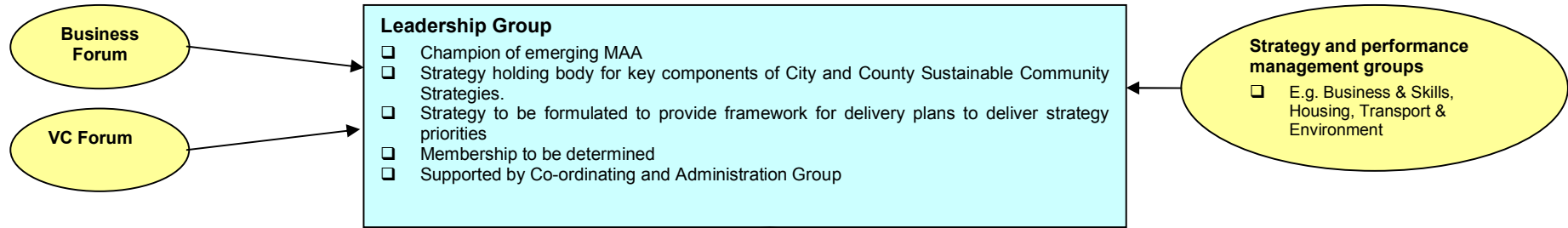
5.5 The establishment of the EDC will take forward one aspect of the One Leicester vision by developing a company to co-ordinate and promote the regeneration of the city and neighbourhoods with an emphasis on creating more jobs in Leicester. Through the establishment of the EDC this supports other Priorities under One Leicester such as:-

- Plan for People: Vibrant city Centre – the EDC will help to regenerate the city centre to make it an attractive pleasant and family friendly place to be with an excellent cultural offer.
- Talk up Leicester: One big idea – the EDC will help to support the involvement of people of Leicester in coming up with innovative solutions to improving the city, creating a culture where people are engaged in making this city a great city.
- Talk up Leicester: Leicester in the World – the EDC will have an active role in the east midlands region and the wider partnerships.
- World class public services: Improved co-ordination: The EDC will support the co-ordination of economic delivery functions across Leicester and Leicestershire.
- Invest in Skills and Enterprises: Business Infrastructure: The EDC will support the development of suitable supply of employment land across the city, continuing to work with investors and developers to ensure that all stages of their lifecycle.

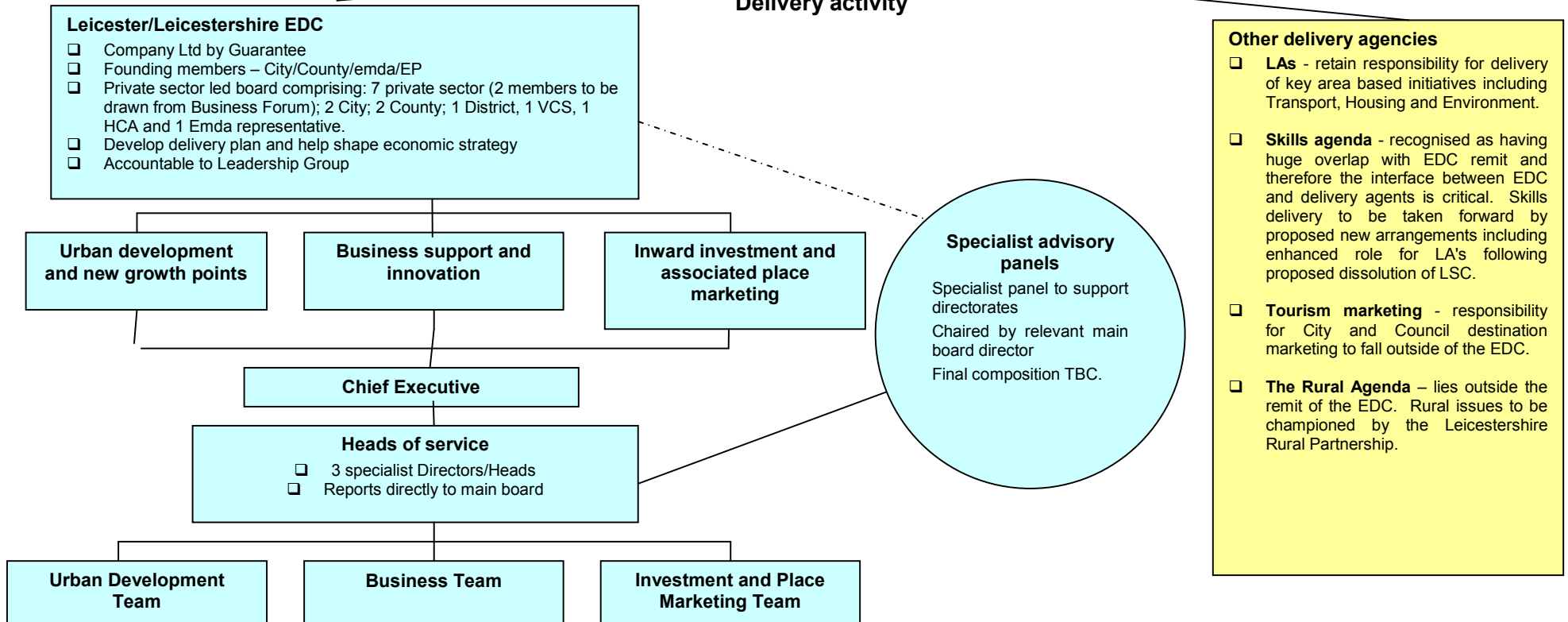
EDC Model

5.6 The model outlined below and described in detail in appendix one takes into account developments around the Multi Area Agreement; the Government's Sub-National Review of Economic Development and EMDA's future portfolio.

Strategy activity



Delivery activity



5.7 The economic development strategy for the sub-region will be held, monitored and reviewed by a Leadership Group. The Strategy will need to resonate with the Regional Economic Strategy and the City and County Sustainable Community Strategies. The Leadership Group will provide the strategic mandate for the delivery activities of the EDC. Further info on the proposed role of the Leadership is set out in section 3.2 of the Appendix one. Further work is required to be undertaken in relation to this function along with discussions with the District Councils.

EDC Functions

5.8 The EDC will have three main delivery functions these being:-

5.8.1 Urban Development and Infrastructure – focused on delivery of key physical projects to support the regeneration and growth of the City urban area'. Growth will also be looked at in this context. In addition the EDC will be able to contract out its services to support New Growth Point and physical economic investment delivery outside of the PUA, across the wider sub-region. Primarily this would include the key growth areas and economic assets outside fo the PUA including Loughborough, Hinckley and Coalville (i.e. the Urban Leicestershire model). The potential of the EDC to contract out its services is recognition of the potential resource/capacity limitations that may exist in surrounding local authorities and provides the EDC with the potential to expand its roles and make effective use of its expertise to support economic development in neighbouring areas. Districts would be under no obligation to utilise the expertise within the EDC, but would draw on this resources as required, subject always to the priorities for economic development set under the economic strategy.

5.8.2 This wider area approach will provide the opportunity to co-ordinate cross boundary investment plans in relation to urban extensions and infrastructure. This function essentially relates to the 'supply-side' of economic development, and subsumes the current role of the Leicester Regeneration Company, integrating physical regeneration and housing growth delivery arrangements to a new Leicester urban area spatial level.

5.8.3 Business Support and Innovation – operating across the City and County. This function relates to the promotion / co-ordination of effective business support across the sub-region rather than direct delivery. It essentially places the EDC in a key role in identifying business support needs for the sub-region, based on target growth sectors and emerging areas of vulnerability or opportunity either sectorally or spatially. Direct delivery of business support would remain a regional function of EMDA but the EDC would provide that much needed local needs and gap analysis. Two further areas where the private sector have said that an EDC could usefully intervene is starter units for spin out companies from the universities,, incubation and starter units for existing and new sectoral development and the use of public procurement to support the local economy.

5.8.4 The promotion of innovation across the sub-regions' business community has been identified as a core function of the EDC, working collaboratively with the three Universities. As with business support the function is essentially one of needs/opportunity identification and the co-ordination / brokerage of innovation support programmes, again in conjunction with the regional activities promoted by EMDA.

5.8.5 Inward investment – operating across the City and County. This function relates to the delivery of services to promote and facilitate inward and indigenous business investment through effective account management to steer investors through the process of delivering business development and growth projects. This will form an important interface with the urban development activities at the PUA level proposed for the EDC by integrating ‘demand’ and ‘supply’ related economic development activity. The inward investment element will subsume work carried out currently by Leicester Shire Promotions. The focus will be on creating the environment for investment e.g. land availability and helping with relocations, linking to skills and employment e.g. the Highcross employment project and also place marketing – making Leicester an attractive proposition for investment. To include Place Marketing as a support to inward investment reflects feedback during the consultation phase from the private sector.

5.8.6 The following activities will never or not at present be undertaken within the remit of the EDC, these being: Area-based functions (neighbourhood and district related regeneration, transport, housing and environmental matters); Rural economic development; Skills Programme; Tourism.

EDC Powers

5.9 To support its principal functions it is proposed that the EDC should have a range of powers to undertake the activities outlined in Appendix One and above along with the resource (funding and otherwise) to use those powers. Negotiations are to be undertaken, however the following have been outlined as the basis to enable the organisation to evolve over time:-

- To convene partners and marshal public sector resources to support the sub-region’s economic priorities.
- To receive, hold and develop land/buildings – It is not the intention to transfer any assets on establishing the EDC and although this power may not be exercised initially it is prudent to incorporate it to provide maximum flexibility throughout the EDC’s life time.
- To enter into joint ventures for physical development – this may include joint ventures with the private sector to leverage in private sector funding and expertise.
- To borrow, to mortgage and otherwise pledge land and property and to invest in projects using capital funding and or assets as equity.
- To establish subsidiary companies and own equity shares in businesses being supported.

EDC Governance

5.10 Based on an assessment of current options and reviewing structures established by other Economic Development Companies across UK. It is recommended a Company Limited by Guarantee is most likely to achieve the aims of the stakeholders.

5.11 As part of the company structure it is recommended to have a board with the following make-up. The Board has to have a majority interest from the Private Sector.

- 7 private sector representatives – 1 act as chair as advised by DCLG guidance; rep’s appointed on skills and suitability but a direct link to the private sector forum and Leadership Group will be required.
- 2 City representatives

- 2 County representatives
- District representation
- Voluntary Sector representative
- Homes and Communities Agency
- EMDA

5.12 During the next stage of development, further activities will be determined in defining the board, agreement/preparation of articles of association; memorandum of association, members agreement, revenue funding agreement. This will be outlined in a future cabinet paper.

EDC Operational Management

5.13 The scale and range of staff resources for the EDC will be driven by the establishment of a business plan. However, the following principles are proposed.

- Chief Executive to provide the strategic direction to the executive team and act as the principal advisor the EDC Board
- Each functional area will be led by a Head of Service / Director who will report to the CE and have line management responsibility for the respective service team – i.e. Head of Urban Development / Head of Business Services / Head of Investment
- Sub Boards or groups could be used to specialise in each of the three core functions of the company. (see section 3.4.4 of Appendix One for further details).

EDC Work Programme

5.14 Following agreement by Cabinet the following actions would need to be worked upon by city council officers in collaboration with Leicestershire County Council and East Midlands Development Agency and English Partnerships in order to complete a large percentage of the work by end of March 2008. This workplan is split into 3 Key Stages as set out below.

Action	By	Date
Stage 1 (June to end of Sept 08)		
Cabinet approval by City and County Council	City / County	16 th July 2008
Communication Protocol established	Temporary Project Support	Mid July 2008
Assessments of documentation from other EDC's undertaken	Temporary Project Support	Mid July 2008
Full Time Project Support Appointed	City / County	End July 2008
Assessment of financial contributions to & from existing organisations and in principle agreement between the parties	R&C Finance/Corporate Director	End of July 08
Start recruitment of the Chief Executive	Corporate Director	August 08
Preparatory legal work for New Company	Legal	End of Sept 08
Refine remit of all three functions in liaison with various parties i.e. LRC, EMDA, Districts, Planning, private sector, voluntary sector etc	Project Support	End of Sept 08
Initial Financial preparatory work	R&C Finance	End of August 08

Assessment of existing staffing levels	Project Support	Sept 08
Premises Assessment	Project Support	Sept 08
Draft Marketing Strategy	R&C Marketing	Sept 08
Enhanced developments with Leadership Group	Project Support	Sept 08
The above resulting in a draft Outline Business Plan	Project Support	Mid October 08
Stage 2 (October 2008 to March 2009)		
Revisions of functions	Project Support	November 08
Legal Paperwork prepared	Legal	November – Jan 09
Chief Executive Appointed	Corporate Director	Nov – Dec 08
Service Level Agreements between City / County / EMDA / EP prepared	Legal & parties	January – March 09
Appointment of Board in shadow form	Chief Executive	Feb – Mar 09
Office needs identified	Chief Executive	December 2008
Brand, Name and Marketing Campaign created	Marketing	November 2008
Costing of EDC for year one to year five	Finance	December 2008
Funding package agreed between the Stakeholders	Chief Executive	January 2009
Taxation, state aid etc resolved	Chief Executive, Legal etc	January 2009
Potential Service Level Agreement with District Councils drawn up	Chief Executive / Legal	March 2009
Staff appointments identified	Chief Executive	December 2008
Business Plan Produced + Legal Documents	Chief Executive	January 2009
Steering Group Sign off	Steering Group	Early Feb 09
Cabinet Paper	Corporate Director	March 2009
Stage 3 (April to May 2009)		
Legal documentation signed including premises	Chief Executive	April 2009
Launch of EDC and Board	Chief Executive	April - May 2009

5.15 The Corporate Director of Regeneration and Culture will be the City Council's lead officer for this work.

6. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

6.1 Financial Implications

The establishment of the EDC will require firstly the alignment of current contributions directed at existing economic regeneration organisations. Work is underway on this and forms part of the work programme detailed above. Also the Council has already set aside up to £200k of one off money to help meet the set up costs. The Corporate Director will discuss and secure partner contributions to the set up costs with the County Council and EMDA.

Martin Judson, Finance Manager, R&C, 29 7390

6.2 Legal Implications

A range of legal considerations will need to be determined during the next stage of development including issues such as vires; third party approvals; prudential borrowing; state aid; procurement implications; taxation; funding; conflicts/code of conduct; TUPE and pension implications; publicity; proprietary controls; contractual, and other related

matters. Legal advice will be provided on this matter and these issues will be addressed and be reported upon at a future cabinet meeting.

Rebecca Jenkyn, Senior Solicitor, Legal Service, 29 6378

7. OTHER IMPLICATIONS

OTHER IMPLICATIONS	YES/NO	Paragraph references within the report
Equal Opportunities	Yes	5.7, 5.9, 5.10, 5.11, 5.12
Policy	Yes	5.5
Sustainable and Environmental	Yes	5.8.1
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	Yes	EDC will help tackle disadvantage and create new jobs to help tackle worklessness

8. RISK ASSESSMENT MATRIX

Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/appropriate)
1 Not moving forward on EDC	M	L	Continue with existing arrangements
2 HR/Legal Issues including TUPE	M	M	To be dealt with in the work programme

L – Low
M – Medium
H - High

L – Low
M – Medium
H - High

9. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

DCLG consultation document – The role of city development companies in English City and city-regions

10. CONSULTATIONS

- Officers within Leicester City Council
- Cabinet Lead for Regeneration Highways and Transportation
- Officers at Leicestershire County Council
- Deputy Leader of the County Council
- Officers at EMDA
- Officers at English Partnerships
- GOEM
- Officers and the Board of Leicestershire Strategic Economic Partnership
- Officers of English Partnerships

- Officers and the Board of Leicester Regeneration Company
- 6Cs New Growth Point Manager
- Officers and the Board of Leicestershire Promotions/Invest Leicestershire
- Leicestershire Chamber of Commerce
- Leicestershire Business Voice
- Officers at Charnwood Borough Council
- Officers at North West Leicestershire District Council
- Officers at Oadby & Wigston Borough Council
- Officers at Blaby District Council
- Officers at Hinckley and Bosworth Borough Council
- Officers at Harborough District Council
- Officers at Melton Borough Council.

11. REPORT AUTHOR

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