

CABINET – 29 JULY 2008

AN ECONOMIC DEVELOPMENT COMPANY FOR LEICESTER AND LEICESTERSHIRE

REPORT OF THE CHIEF EXECUTIVE

PART A

Purpose of Report

1. To seek the Cabinet's approval to the principle of establishing an Economic Development Company across Leicester and Leicestershire and to the early appointment of a Chief Executive for the new organisation.

Recommendations

2. It is recommended:
 - a) That the scope, geography and functions of the proposed Economic Development Company (EDC) as outlined in paragraphs 15 to 17 be approved;
 - b) That approval be given to further work being carried out to bring about the establishment of an EDC as set out in the work programme detailed at paragraph 18 below including the early appointment of a Chief Executive to be responsible for driving this programme forward and leading the new organisation;
 - c) That the lead co-ordinating body for economic development and associated activity in rural Leicestershire be confirmed as the Leicestershire Rural Partnership (LRP), and it be noted that the operation and structure of the LRP should be reviewed to ensure its fitness for purpose for this role;
 - d) That it be noted that a further report seeking formal approval for the launch of the EDC will be submitted to the Cabinet in March 2009.

Reason for Recommendation

3. To put in place an effective delivery vehicle to support achievement of the economic development and associated priorities of the County Council and Leicestershire Together as set out in the Sustainable

Community Strategy (SCS), new Local Area Agreement (LAA2) and emerging Multi Area Agreement (MAA).

Timetable for Decisions (including Scrutiny)

4. The issue was considered by Leicester City Council's Cabinet on 14th July. The City Council's Cabinet:
 - (a) Endorsed the principles, direction of travel and functionality of the Economic Development Company (EDC) as outlined in the report.
 - (b) Agreed to the establishment of the EDC as set out in the work programme including the early appointment of a Chief Executive to be responsible for driving this programme forward and leading the new organisation.
 - (c) Agreed that a further report formally launching the EDC be considered by Cabinet before March 2009.
5. The Scrutiny Commission will be considering this issue at its meeting on July 23rd 2008 and the conclusions of the Commission will be reported to this Cabinet meeting. It is proposed that following the carrying out of detailed technical work to support the establishment of an EDC a further report will be brought to Cabinet by March 2009 to approve the formal launch of the EDC.

Policy Framework and Previous Decisions

6. The new Leicestershire Sustainable Community Strategy (SCS) sets out the economic priorities for the County, thereby setting a strategic policy context for the operation of an EDC. These priorities are closely aligned to the Regional Economic Strategy (RES) which sets the economic policy context for the East Midlands. The priority outcomes are also set out in the new LAA and in the emerging sub-regional MAA. The priority outcomes are reduced worklessness, improved skills levels, improved business performance including start-up, survival and growth rates and the provision of quality employment land and premises. The delivery of these priorities will form the bedrock of the activities of the new EDC.

Resource Implications

7. In the context of the Government's Sub-national Review of Economic Development and Regeneration upper-tier local authorities will have increased responsibilities for economic development strategy and delivery. As part of these new arrangements Regional Development Agencies (including emda) increasingly will be devolving funding to City and County Councils. In Leicester and Leicestershire the City and County Councils are working closely with emda to establish new

arrangements in the context of the new Multi Area Agreement which is currently being prepared.

8. The proposed EDC will be a key delivery vehicle for the shared sub-regional priorities expressed in the MAA and, if established, would be commissioned by the City and County Councils to carry out key delivery activities using the newly devolved funding. The County Council currently provides funding to economic delivery agencies which might be superseded by the EDC and this could be redirected to the new company to help its establishment and future operation.
9. The detailed technical work needed to set up the new Company will require staffing support from some key County Council services, including in relation to legal, human resources and finance matters. These issues are covered in the work programme set out in paragraph 18 of this report.

Circulation under Sensitive Issues Procedure

None.

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PART B

Background

10. In December 2006 the Department for Communities and Local Government (DCLG) produced a consultation paper on the potential roles of Economic Development Companies (formerly City Development Companies) in driving forward economic growth and regeneration.
11. In responding to this consultation in March 2007, it was identified that an EDC provided an opportunity to review the way in which economic development activities were currently delivered in Leicester and Leicestershire. The EDC model proposed a delivery mechanism which was more effective and efficient than the existing arrangements and provided the opportunity to co-ordinate the economic development functions of the various existing agencies in Leicester and Leicestershire.
12. Consultants (Genecon) were commissioned to investigate the feasibility and benefits of establishing an EDC by a partnership involving the County Council, the City Council, district councils, EMDA and the private sector. The consultants' brief was to carry out an initial assessment of the potential scope and form of an Economic Development Company including looking at the best spatial fit for economic development activities across Leicester and Leicestershire.
13. The consultants' report, attached as Appendix 1, has taken account of extensive stakeholder consultation comprising three main components. Firstly a Steering Group was established that involved Members and lead officers from the County and City Councils (Mr Rushton for the County Council), district council officers, and representatives of EMDA and Leicestershire Business Voice. Secondly a Stakeholder Group was established. This was chaired by the Chamber of Commerce and involved a wide range of agencies with a stake in economic development and regeneration activities. Thirdly a consultation paper was circulated to a wide range of stakeholders for comment.
14. Initial consultation of key stakeholders undertaken by the consultants highlighted a number of areas of consensus which have shaped the approach to developing a new model, including
 - A shared appetite for change across key agencies;
 - A shared concern to enhance overall economic performance;
 - Agreement that existing structures should be streamlined to enhance operational efficiency;
 - Recognition that private sector engagement will be key;
 - Acknowledgement that current arrangements risk undermining private sector engagement and confidence in economic development leadership in the sub-region;

- A shared view that the Leicester principal urban area (PUA) is the engine for growth of the sub-regional economy, but also that there are key assets (such as East Midlands Airport, Loughborough University and several large employers) which are located outside the PUA - cross-border working is required to support economic performance across the sub-region.
- Recognition that there needs to be close alignment between the economic and housing growth agendas;
- Need for closer integration between the physical development (supply) side and business investment activity (demand) side.

The Proposal for an Economic Development Company

15. The full report of the consultants is attached as Appendix 1. The key part is section 3 which describes the EDC model proposed by the consultants following consultation with key stakeholders.
16. In the proposed model, illustrated in the Figure on page 9 of Appendix 1, the new EDC will:
 - a) Operate as a delivery body working within a strategic context provided by the County and City Sustainable Community Strategies, LAAs and the MAA (para 3.1 in Appendix 1);
 - b) Lead, influence and support the delivery of economic development priorities (para 3.4.1);
 - c) Operate alongside other delivery agencies, including local authorities (para 3.4.1);
 - d) Operate within a governance structure overseen by a sub-regional Leadership Group led by the County and City Councils (para 3.2.1);
 - e) Have its strategic mandate for its delivery activities provided by the Leadership Group (para 3.2.1);
 - f) Have three main thematic areas of responsibility – ‘Urban development and infrastructure’, ‘Business support and innovation’, and ‘Investor Development and Inward Investment’ (these are described more fully in section 3.4.2);
 - g) Not have lead delivery responsibility for a number of key issues, including rural economic development, skills and tourism/ place marketing although there will need to be linkages made between these areas of activity and EDC operations (para 3.3.2);
 - h) Have a range of powers to enable it to carry out its principal functions, with these being subject to further discussion (para 3.4.3); and
 - i) Be a company limited by guarantee whose Members will be the City Council, County Council and EMDA, and whose Board will have a private sector chair and comprise 6 further private sector representatives, 2 each from the City Council and County Council, one on behalf of the 7 district councils and one each from EMDA, the voluntary and community sector, and the Homes and Communities Agency (para 3.4.4).

17. The consultants considered a number of options for the operational geography of the EDC (see para 2.4). The proposed model involves 'business support and innovation' and 'investor development and inward investment' functions operating across the whole of Leicester and Leicestershire. The 'urban development' function will focus on the Leicester Principal Urban Area but will be able to contract out its services to support the delivery of housing and other physical economic infrastructure across the rest of the sub-region.

Further work required

18. If the establishment of an EDC is agreed in principle the following programme of activity will need to be delivered prior to the launch of the new company by County Council officers working with their counterparts at the City Council, EMDA and other key partner agencies. Work on this programme is underway.

Action	Date
Stage 1 (June to end of Sept 08)	
Cabinet approval by City and County Councils	July 2008
Communication Protocol established	Mid July 2008
Assessments of documentation from other EDCs undertaken	Mid July 2008
Full Time Project Support Appointed	End July 2008
Assessment of financial contributions to & from existing organisations and in principle agreement between the parties	End of July 08
Start recruitment of the Chief Executive	August 08
Preparatory legal work for New Company	End of Sept 08
Refine remit of all three functions in liaison with various parties i.e. LRC, EMDA, Planning, private sector, voluntary sector etc	End of Sept 08
Initial Financial preparatory work	End of August 08
Assessment of existing staffing levels	Sept 08
Premises Assessment	Sept 08
Draft Marketing Strategy	Sept 08
Enhanced developments with Leadership Group	Sept 08
The above resulting in a draft Outline Business Plan	Mid October 08
Stage 2 (October 2008 to March 2009)	
Revisions of functions	November 08
Legal Paperwork prepared	November – Jan 09
Chief Executive Appointed	Nov – Dec 08
Service Level Agreements between City / County / EMDA / English Partnerships prepared	January – March 09
Appointment of Board in shadow form	Feb – Mar 09
Office needs identified	December 2008

Brand, Name and Marketing Campaign created	November 2008
Costing of EDC for year one to year five	December 2008
Funding package agreed between the Stakeholders	January 2009
Taxation, state aid etc resolved	January 2009
Potential Service Level Agreement with District Councils drawn up	March 2009
Staff appointments identified	December 2008
Business Plan Produced + Legal Documents	January 2009
Steering Group Sign off	Early Feb 09
Cabinet Report	March 2009
Stage 3 (April to May 2009)	
Legal documentation signed including premises	April 2009
Launch of EDC and Board	April - May 2009

Issues for the County Council

19. The establishment of an EDC will represent a welcome rationalisation of economic delivery structures and capacity in Leicester and Leicestershire and will take the sub-regional collaboration which is already underway (including through the development of a Multi Area Agreement) one step further forward. Early appointment of a Chief Executive for the new company will provide the senior strategic capacity needed to progress the detailed implementation of the company's establishment.

20. It is important that robust and effective delivery arrangements are in place across the whole of Leicestershire. The EDC will not, it is proposed, have lead delivery responsibility for rural economic development. This is recognition of the valuable role the County Council-led Leicestershire Rural Partnership (LRP) has played in recent years supporting the delivery of rural programmes and projects. There is a strong case for formally recognising the LRP's lead co-ordinating role for rural Leicestershire in the new sub-regional structures, but also for considering whether the LRP needs to undergo any changes to ensure it is fit for purpose in the context of the emerging new economic development arrangements.

21. The main urban areas outside the PUA (including Loughborough, Hinckley and Coalville) will also require new delivery mechanisms for economic development, infrastructure investment and housing growth. Further consideration will need to be given to the role that the EDC might have at these and other towns, or whether separate delivery arrangements need to be established. One option is for the EDC to be commissioned to deliver projects in these locations.

BACKGROUND PAPERS

DCLG consultation document – The role of city development companies in English City and City-regions (2006)

Appendices

Appendix 1 – City and County Economic Development Company – Draft Report for Consultation.