

Agenda Item 24

Cabinet

28 November 2012

ADW



Future role and funding of the Growth Point delivery team

Exempt Information

Para 3 Schedule 12A information relating to the finance or business affairs of any particular person

Summary

This paper sets out a proposal for supporting the Growth Point delivery team for the next three years. Much has changed both structurally and financially since the Growth Point was first designated in 2006 and the Delivery Team established in 2007 and the delivery approach needs to evolve to reflect the Growth Point's successful progress and externalities. The paper reviews these changes and highlights the added value that the Team brings to the delivery of the strategic developments in the West End of the District. It seeks core funding support alongside contributions from the other Growth Point partners.

Recommendations

Members are asked to;

- **Note the major changes that have taken place since the Growth Point was first designated;**
- **Recognise the significant added value that the Growth Point Team brings to the delivery of the strategic developments in the West End of the District;**
- **Endorse the proposal to provide core funding of up to £150,000 per year for the Team for the years 2013 to 2015, ensuring that any core funding is contingent upon appropriate contributions also being secured from Exeter City Council and Devon County Council and to either;**
 - **Agree at this meeting to fund East Devon's contribution, after deducting any external funding that can be generated, up to a maximum of £150,000 per annum from the General Fund Balance over the 3 year period, or**
 - **Feed this proposal into 2013/14 budget round with consideration in January/February 2013;**
- **Continue to find ways of offsetting the overall contribution through existing secured grant funding and securing additional funding, utilising accrued interest and linking to new performance related incentives**

a) Reasons for Recommendation

The Growth Point has reached a stage where significant infrastructure investment is now enabling new homes and employment development. The first homes of Phase 1 of Cranbrook are occupied and the primary school open. The Energy Centre building is completed, Sainsbury's distribution Centre is in construction and the Science Park Centre build out is imminent.

Forward funding is needed to ensure that sufficient capacity is in place to support the delivery of the strategic development proposals in the West End of the District in the most sustainable way possible.

b) Alternative Options

A number of alternative options have been considered in relation to the future of the Delivery Team in conjunction with Growth Point partners. These range from closure through to establishing a more formal Economic Development Company type structure. These are set out in the report.

c) Risk Considerations

The main risk is that financial or in kind contributions are not forthcoming from the other Growth Point partners and/or management fees to support the team from funding streams are not secured.

Should the team be unfunded and/or closed down then the continued servicing of the Board, strategic management, lobbying, fund finding and partnership coordination will cease and default to EDDC principally and partners individually.

d) Policy and Budgetary Considerations

It is intended that the outcome of this paper is fed in to the forthcoming budget round. There is currently no dedicated budget line for the team.

e) Date for Review of Decision

It is proposed that an annual review of activity in the Growth Point area is considered by the Cabinet. This will allow progress to be critically reviewed.

1. Background

The Exeter and East Devon area was designated as a Growth Point in 2006 under an initiative of the then Labour administration. This was intended to form the basis for a long term partnership for growth between local and regional partners and national government. The purpose of the partnership was to:

- Provide a cross boundary framework for delivering projects in the Growth Point area.
- Commission consultancy studies which can inform the preparation of key strategies and to provide practical solutions to the full range of development obstacles.
- Bid for funding from all available sources for the preparation of strategies and for the implementation of solutions.

- Provide a forum for reviewing the longer term spatial strategy for the sub-region in the context of evolving regional spatial, economic and transportation strategies.
- Provide a small project team to resource the above tasks in conjunction with a range of partners.

The Growth Point Board was established in 2007 and brought together a range of public and private sector partners. A dedicated delivery team was also established at the same time. This was sponsored by the South West of England Regional Development Agency (SWRDA), East Devon District Council (EDDC), Devon County Council (DCC) and Exeter City Council (ECC).

EDDC performs the role of 'host' to the Delivery Team, acting as employer and banker on behalf of the partnership. For the period 2007 – 2010 the Delivery Team received core funding from the SWRDA and funding or in kind resources from EDDC, DCC & ECC. The team is managed by a Director, appointed by the partnership, who in turn reports to the Growth Point Principals and ultimately the Growth Board.

2. What's changed?

There have been significant changes since the Growth Point was originally designated principally stemming from the economic downturn/recession and the change of national administration in 2010. These fall in to three main categories;

A. Financial

The Growth Point initiative included direct capital support secured against a Programme of Development. Over £6m of funding was secured towards the delivery of the Clyst Honiton Bypass and the Multi Purpose Building at Cranbrook. This capital programme, along with others such as the Low Carbon Infrastructure Fund that has helped to roll out the district heating network to Cranbrook, has now been abolished as part of the overall emphasis on reducing the budget deficit.

Equally the position in terms of revenue support has changed significantly. The Growth Point programme also included revenue support. Core funding for the Delivery Team for the first three years of operation was received from the South West RDA. Again these sources of funding no longer exist.

Following the end of core funding from the South West RDA the Team were successful in securing Transition Funding from DCLG for the years 2011/12 and 2012/13. In total this amounted to £163,125 with £90,158 in year 1 and £72,967 in year 2. This is match funded by ECC, EDDC and DCC with equal contributions of £27,187 over 2 years. The HCA has also continued to support the team most notably through the award of £73,500 in March 2012 for the development of a Local Infrastructure Fund.

The current financial position of the team is set out at Appendix A. There are currently sufficient funds to sustain the team through to the back end of the 2013 calendar year. It is important to emphasise that running costs have been reduced by over 50% since 2009/10.

B. Organisational

The principle organisational change relates to the abolition of the South West RDA. The RDA was the single largest investor in the West End area totalling some £40m. A revenue grant of £590k was

made available by the RDA to support the Delivery Team. The body now charged with pursuing strategic economic development is the Heart of the South West Local Enterprise. Whilst not a like for like replacement, the difference in available resources between the two organisations is pronounced. The Homes and Communities Agency has now assumed responsibility for the RDA's assets including the Regional Infrastructure Fund.

In order to respond to these changes the geographical scope and membership of the Growth Point Board was extended in 2011. This is now titled the Exeter and Heart of Devon Growth Board. As well as addressing immediate barriers to delivery, for example in relation to infrastructure provision and strategic positioning the Growth Board now has a wider economic development remit. This includes issues such place marketing and promoting the take up of apprenticeships, linking to the work of the local employment and skills board.

C. Structural

When the Delivery Team was originally established in addition to the Projects Director there were also the following roles;

- Projects Manager
- Projects Planner
- Urban Designer
- Communications Officer
- Team Administrator

This was supplemented by a Major Projects Manger (Janthia Algate) and a Landscape Architect (Neil Blackmore) who were seconded from EDDC. Two further posts from DCC were anticipated (Highways Engineer and Planning Officer) but were never formally seconded. In total this amounted to 10 posts.

The team occupied, managed and funded its own office premises at Silverdown between 2008 and 2011. Since April 2011 the team have been located at the Knowle in Sidmouth. Fliss Morey left the team at the end of 2011. EDDC also no longer formally seconds posts to the Team which instead now form part of the Major Projects Team headed by a Senior Planning Manager and including a Senior Development Control Officer and the Cranbrook Officer.

Overall the Growth Point Team now comprises 2.7 FTEs as follows;

- Projects Director (1.0)
- Communications Officer (0.8 job share)
- Team Administrator (0.9).

All team members are on temporary contracts. Tthe Project Coordinator for the Employment and Skills Board, is also on the Team's books and the post is funded directly by EDDC and ECC. This post is managed directly by the City Council. Finally John Rigby's role as Chair of the Low Carbon Task Force also falls within the Growth Point Team. This is an entirely voluntary role.

3. Added value

Whilst there have been significant changes since the delivery team was first established, many of the roles have remained essentially the same. For example this includes the coordination of development proposals and ensuring that potential barriers to delivery, such as the timing of infrastructure improvements, are addressed. Some activities, for example around PR and communications, have increased in significance as the developments, particularly Cranbrook, have moved to the delivery stage. Other areas are newer territory including around maximising local economic benefit in terms of local procurement and skills. A stronger economic development theme reflects the re-focusing of the Growth Board following abolition of the South West RDA and the establishment of the Heart of the South West LEP.

One of the key areas of work over the last 12 months has revolved around adapting positively to the revised delivery landscape. The potential creation of a local infrastructure fund which would harness new financial mechanisms (such as CIL) and incentives (including the New Homes Bonus) will be a powerful tool moving forward. A successful bid has been made to round 3 of the Regional Growth Fund to capitalise such a fund. There is a significant role to play in terms of administering the fund, ensuring that a pipeline of investment grade projects are moving forward and that robust governance arrangements are in place. The same discipline will be required for deployment of the Community Infrastructure Levy. At the time of writing negotiations are ongoing to secure a package of support to accelerate the delivery of Phase 2 of Cranbrook.

Providing dedicated expertise which is focused on delivering growth in the best possible way across administrative boundaries remains the *raison d'être* for the team. In turn this helps to support a strong and long lasting partnership which is an essential ingredient moving forward, for example in exercising the new 'Duty to Cooperate'. The ability to point to a clear vision and growth strategy, mature partnership arrangements and a proven track record of delivery are all key facets that are also likely to boost the ability to successfully tap new initiatives. These have been the subject of recent discussion with HMT and the HCA for example.

With the first residents now moving in to Cranbrook and the Younghayes Centre nearing completion there is an opportunity to relocate the team to the heart of the growth area. This will help the team to act as an ambassador for the partnership and to support the fledging new community. Helping to manage the Younghayes Centre as an asset in a way which helps to ensure that it quickly develops as a hub for the community is an important objective. There is an opportunity to work alongside a range of partners who have a stake in the successful delivery of the growth programme including the posts that will be appointed through the s.106 agreement for Cranbrook including the Community Development Worker.

Finally the team has an ongoing focus on addressing barriers to growth. These can take a variety of different forms from immediate to more strategic. The availability of project management expertise helps to ensure that these potential barriers are addressed before they bite. An example of a future challenge relates to the delivery of green infrastructure which is required not only from a quality of life perspective but also to provide habitat mitigation measures which, if not addressed, would be a fundamental barrier to growth. These are all issues that continue to be addressed by the Growth Board at its quarterly meetings.

The added value provided by the Delivery Team can therefore be summarised as follows;

- 1) **Partnership working** – helping to galvanise the activities of a wide range of partners to ensure the delivery of a common vision and to exercise the new Duty to Cooperate on a cross boundary basis. This culminates in supporting the work of the Growth Board.
- 2) **Securing resources** – over the last two years circa £250k of revenue support and £8m of capital funding have been secured. Current negotiations around a package of support to deliver phase 2 of Cranbrook have the potential to significantly add to this.
- 3) **Delivery expertise** – the team has expertise around key aspects of delivery such as low carbon infrastructure. This includes harnessing new mechanisms such as the Community Infrastructure Levy.
- 4) **Communications and PR** – this is an important role, helping to build relationships with a wide range of stakeholders, dispel rumours and raise the profile of the developments nationally.
- 5) **Maximising local economic benefit** – as well as the opportunity of securing inward investment the team has also worked with the Business Forum and local chambers to establish a local procurement portal and with the local employment and skills board to secure on site apprentices.

4. Future role and scope of the Delivery Team

There are a number of options that can be pursued moving forward to provide clarity in terms of the future role of and funding for the delivery team.

A) Closure

The first option is to close the delivery team down. The easiest way to do this would be not to renew existing time limited contracts meaning that the team would be closed down in October 2013. Whilst partnership structures such as the Exeter and Heart of Devon Growth Board and Low Carbon Task Force might continue, alternative means of resourcing this would need to be found. Fundamentally the capacity to administer funding streams (both secured and in the process of being secured) would be lost and the opportunity to secure future funding significantly diminished. Equally the capacity and available resources to address cross boundary delivery issues would be significantly reduced and the added value derived from the Team, as detailed above, would be lost.

B) To retain the delivery team and secure core funding from the partnership for the period 2013 to 2015

Whilst funding for most of 2013 is available confidence is needed for the subsequent two years in order to put the delivery team on to a secure and sustainable footing. The total revenue cost for the team is circa £250k p.a. This allows for the missing Project Manager post to be recruited to bolster capacity, potentially as a secondment or in-kind contribution.

The simplest way of meeting the costs is to seek funding from the three main local authorities (EDDC, ECC and DCC). This is the subject of current negotiations. There are variations on this approach that can be pursued to offset these costs as follows;

- a) To secure additional sources of external funding

- b) To link a proportion of funding to performance, for example in terms of uplifts in new homes bonus and business rate monies
- c) To utilise a proportion of CIL monies (within the 5% administration limit) to help meet the costs
- d) To offset the costs of the team from whatever revenues can be derived from helping to manage the Younghayes Centre or from the interest on capital grants.
- e) To approach other partners for a subscription to help meet the running costs. This could include private sector partners for example.

C) Pursue a self- financing model for the delivery team

Pursuing a purely self financing model would involve a significant departure from the current approach. The team would need to be commissioned to undertake certain areas of work, potentially with a service level agreement. The team would need to seek further work on a consultancy basis outside of the Growth Point area, utilising the expertise gained from within the area for example in relation to low carbon development.

D) An entirely different form of delivery vehicle is established

There are various examples across the country such as economic development companies. These are usually more stand alone and autonomous bodies. Governance is usually through some form of Board and Shareholder arrangement. As a comparison the Forward Swindon company focuses on business investment and growth, town centre and cultural development and promotional activity. There is a staff of 13 and annual revenue of £1.5m of which staff and office costs account for £1.2m.

Proposal

Having reviewed the options and discussed them with the main Growth Point partners it is proposed to maintain the current approach to supporting the delivery team i.e. option 2 above. Funding is being sought from each of the three main local authorities to meet core running costs. A larger overall share (at £150k p.a.) is being sought from EDDC in recognition of the proportion of the Team's resources that are dedicated to the delivery of the major developments in the West End of the District. However efforts to offset this continue including securing new sources of external funding.

The core funding will enable the Team to relocate to the Younghayes and to support the successful development of Cranbrook as a new community. The detailed work programme for the team will need to be agreed by the partners.

Conclusion

It takes time to put partnerships and delivery vehicles in place. Considerable effort and capital has been invested to this effect over the last five years. Also it takes time to see results, and the quickest wins are not necessarily the lasting ones. The mature partnership arrangements and track of delivery are increasingly being recognised on a national stage. The recommendations of this paper seek to ensure that funding is in place to maintain sufficient delivery capacity to support the ongoing successful delivery of the major developments in the West End of the District.

Legal Implications

In terms of the organisational options set out in the report, option 3 is subject to complex legislative restrictions on local authority trading which would need to be further considered in the context of the particular project [including member consideration of a business plan] should members wish to go down this route. Consultancy can be offered to other local authorities and certain public bodies through existing legal mechanisms. However commercial trading for profit can only be done through setting up a local authority company and the cost and bureaucracy of this [option 3 and 4] are unlikely to be cost effective. It is not possible to charge a fee for something that the council is obliged to provide by statute.

It is advised that any funding arrangements between the local authority partners take into consideration any possible future redundancy costs.

Section 110 of the Localism Act contains a duty for planning authorities and other public bodies to co-operate in relation to the preparation of strategic planning documents for sustainable development on issues that impact on more than one planning authority, and includes path finding or supporting activities such as those described in the report. It is a discretionary matter for councils how they organise the staff involved discharging the duty to co-operate.

Financial Implications

Whilst it needs to be recognised that balancing the 2013/14 is not going to be easy with a significant funding gap being shown in the Council's Medium Term Financial Plan as presented to the Cabinet's last meeting, it is acknowledge members recognition of the work and necessity of the Growth Point Team. In particular the important role the Team play financially in securing funding streams to continue the development of the Growth Point area, which in itself attracts additional funds to the Council through New Homes Bonus and Business Rate Retention.

It is also acknowledged that the Team have an excellent record of generating funding to support their own running costs and there are continued possibilities of this that Finance is aware of. However in order to secure employment contracts some certainty needs to be given over future funding which is where the proposal to use the General Fund Balance arises in that currently this is £2.5m above the adopted level and although it is being held at this level because of the financial uncertainty facing the Council, the proposal is that up to a maximum of £150,000 per annum is used to underwrite the teams cost for three years on the understanding that external funding will be sought and used in the first instance with the General Fund Balance being used only to fund any shortfall if necessary.

Alternatively members may consider delaying their decision on this proposal until the budget process with reports coming to members in January and February 2013 when the Finance Settlement for 2013/14 is known.

Consultation on Reports to the Cabinet

Consultations have been undertaken with Exeter City and Devon County Councils.

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Projects Director

Appendix A**Financial position**

The following gives the financial position of the Team at November 2012;

1. Revenue

Reserves of revenue funding amount to approximately £200k. Following the closure of the Silverdown Office (a saving of £30k p.a.) and the reduced staffing structure core running costs also amount to circa £200k p.a as follows;

Salaries including on costs	£120k
Recharges (Office, IT, HR, Payroll)	£20k
Consultancy	£50k
Miscellaneous (room bookings, travel etc)	£10k

Sufficient funds are in place to sustain the team through to the back end of the 2013 calendar year.

2. Capital

In total circa £10m of capital funding is being administered through the Growth Point team. This is comprised of £6m of Growth Point funding towards the Clyst Honiton Bypass (£4.5m) and the Younghayes Centre (£1.5m) as well as £4.1m of Low Carbon Infrastructure Funds towards the energy centre and district heating network. So far £1.4m has been drawn down towards the Younghayes Centre, £0.5m towards the Bypass and £1.6m from the Low Carbon Infrastructure Fund leaving a balance of circa £6.5m. It is expected that the balance of funding will all be drawn down within the next 12 months.