

Report circulated on 14 October 2008

REPORT TO:	CABINET 20 OCTOBER 2008
AGENDA ITEM:	6.2
SUBJECT:	CROYDON ECONOMIC DEVELOPMENT COMPANY
LEAD DIRECTOR	DAMIAN ROBERTS, DIRECTOR OF STRATEGY & COMMUNICATIONS
CABINET MEMBER:	CLLR TIM POLLARD, DEPUTY LEADER- PERFORMANCE & CABINET MEMBER FOR REGENERATION
WARDS:	All

CORPORATE PRIORITY/POLICY CONTEXT:

The Council needs an effective delivery partner to accelerate the implementation of its new Economic Development Strategy, including delivery of relevant Local Area Agreement (LAA) targets relating to business creation and growth, skills and employment. The Council also needs to have an effective vehicle to bring together local business interests and talent to drive up the profile and reputation of the borough as a good place to do business and invest, attract new income streams for Croydon, and to give the local economy maximum support and protection during the national and global economic downturn.

It is proposed to bring together existing delivery and commissioning arrangements within a new business-led Economic Development Company as the Council's preferred delivery partner for taking forward the implementation of Croydon's Economic Development Strategy. The new arrangements would represent a more sustainable delivery model, would help unify and streamline existing arrangements, and place the borough in a stronger position to access external funding for Croydon and drive up inward investment.

Supporting the following Local Area Agreement targets:

- 152 Working age people on out of work benefits
- 154 Net additional homes provided.
- 155 Number of affordable homes delivered.
- 162 Learners achieving a entry level 3 qualification.
- 164 Working age population qualified to at least level 3 or higher.
- 171 New business registration rate.
- 172 VAT registered businesses in the area showing growth.
- L5 Number of businesses starting as a result of LEGI Programme support (broken down by target group)
- L6 Number of businesses assisted by the LEGI programme demonstrating growth
- L7 Total number of clients in employment and training and number of jobs created as a result of the LEGI programme
- 186 Per capita reduction in CO2 emissions in the LA area.

FINANCIAL SUMMARY:

The Croydon Economic Development Company is expected to be financially neutral for the Council, but should allow more efficient and effective operation, with the opportunity to access more regional and national public funding, and access to increased private sector resource in the medium to long term.

FORWARD PLAN KEY DECISION REFERENCE NO.: 784 This is a Key Decision as defined in the Council's Constitution. . The decision may be implemented from 1300 hours on the 5th working day after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors. In accordance with the Council's Constitution, the Chair of the Scrutiny & Overview has been informed of this item.

1. RECOMMENDATIONS

Cabinet is asked to

- 1.1 Agree the proposal to develop a new Economic Development Company for Croydon for the purposes detailed in para.8 of the report, as a company limited by guarantee as detailed in Option 4 at para.20 and note the outline timetable for officers to progress this work at Appendix 3.
- 1.2 Agree that the Chief Executive, in consultation with the Cabinet Member for Regeneration and the Council Solicitor and Monitoring Officer be given delegated authority to agree the final terms for and any necessary steps to complete the establishment of the Company, including transfer of identified services to the Economic Development Company and transition management.
- 1.3 Agree that Cabinet receive a progress report on implementation in the new year.

2. EXECUTIVE SUMMARY

- 2.1 This report seeks agreement to officers progressing the proposal to establish an Economic Development Company (new Company) in Croydon to simplify and improve the delivery of economic development activity in the borough. The report details proposals for the scope of the new Company's activities and the options for its legal structure and seeks Members agreement to their preferred option. To ensure that the establishment of the new Company can be progressed in time to start delivery of the Economic Development Strategy (EDS) delegated authority is also sought for the Chief Executive to take the necessary steps to implement the proposal.
- 2.2 The Options appraisal for the Company structure, detailed in section 20 identifies the preferred approach of establishing a new organisation as a company limited by guarantee, with Council representation and mechanisms for influence, and private sector leadership.

2.3 It is intended that the new Company will become the principal delivery body for Croydon's Economic Development Strategy, and will play a significant role in delivery of economic development Local Area Agreement target outcomes. It will become the unified 'voice' for Croydon to strengthen the area's profile in London, nationally and internationally, and ensure that an economic development function is sustained over the long term. It will also build on existing partnership arrangements with the sub-region to maximise opportunities for Croydon and South London.

3. BACKGROUND TO ECONOMIC DEVELOPMENT COMPANIES

3.1 Economic Development Companies are organisations created by local authorities on a voluntary basis. They are a specialist bodies designed to better deliver local economic development on behalf of the local authority and its partners.

3.2 As legally constituted organisations at arms length from the Council, they can be funded by both the public and private sector. The activities of each new Company are determined by the needs of the locality and priorities of partner organisations, but they offer a flexible structure which can evolve over time to meet needs of the area and bring improved outcomes in Economic Development.

3.3 It is proposed that the new Company will:

- Improve delivery of business and innovation support, and skills development projects
- Facilitate stronger partnerships between private and public sector
- Prompt a closer alignment of complementary funding streams and economic development related projects
- Be innovative and business-like in operation, business-facing and business led
- Attract more specialist skills into local economic development

3.4 As part of the development process, other Local Authorities who are experienced or actively engaged in establishing Economic Development companies have also been consulted, to learn from their experience and share best practice. This includes Liverpool Vision, Hull Forward, NewcastleGateshead City Development Company and Plymouth, who, along with Croydon are part of the Communities and Local Government's Economic Development Company network. Those new Companies all display the following characteristics:

- Private sector led companies limited by guarantee
- Delivery focussed
- Strong support and involvement from Regional Development Agency (RDA)
- Public Sector engagement and funding and associated mechanisms to determine strategy and secure influence
- Different spectrum of activities: strategy – delivery, physical – economic regeneration
- Differing timetables and resources for set up and transition

3.5 The examples provided above demonstrate the variety of models adopted as existing companies deal with a range of priorities. For Croydon, the clear priority is the importance of momentum (and therefore tighter timescales), securing the support of the London Development Agency, a focus on 'softer' economic development activity, and ensuring appropriate links to physical development activities (which are not proposed to be undertaken directly by the new Company).

4. CURRENT BUSINESS SUPPORT ARRANGEMENTS IN CROYDON

4.1 There are a large number of private, public and third sector organisations currently providing Business Support activities in Croydon. These include:

- Croydon Enterprise (CE) is part of the Council, and was set up to deliver and commission work to address LEGI priorities. It has no separate legal status.
- Envibe (Environmental and Business Excellence) is part of the Council, based with the Environment and Sustainability team. It works with the public and private sectors to achieve 'business greening'.
- Croydon Business (CB) is a private company which grew out of Croydon Marketing Development, and is the key delivery partner of Croydon Enterprise. There is a close working relationship between CE and CB, although each organisation has its own staff and branding.
- The successful town centre BID (Business Improvement District) is a subsidiary of Croydon Business. Further neighbourhood BIDs are currently being considered.
- Croydon Business Venture provides start up/ managed workspace in a number of locations, including Acorn House, Park House and the new Wandle Enterprise Centre in Croydon.
- Employment and skills support activities are provided by a range of agencies, including Job Centre Plus, the Learning and Skills Council, Croydon College, and Croydon Education Business Partnership
- Croydon Business Support Network is an informal partnership of local business support stakeholders, which aims to improve co-ordination and communication between partner organisations
- South London Business is a private sector body which delivers services across South London, including Croydon.

4.2 The Economic Development Partnership, part of the Local Strategic Partnership, has recently agreed a new Economic Development Strategy for the borough. This sets out to address the gradual decline in the borough's economy in recent years, and sets out challenging targets and interventions for the next ten years. An implementation plan for the Economic Development Strategy has been produced by the Council with Croydon Business to allow delivery activities to commence. A key recommendation of the Economic Development Strategy is that a single body is set up to focus and lead

implementation, and hence this proposal for a new Economic Development Company which would take over responsibility for delivery.

4.3 As part of the Council restructure, a new Executive Director of Regeneration Environment and Planning post has been created. This includes responsibility for the Council's Economic Development activities. The Council's current Economic Development function is almost entirely contained within Croydon Enterprise, which would transfer to the Economic Development Company. With the creation of the new company, the Executive Director will have a key role in managing the relationship and monitoring the outcomes achieved by the Economic Development Company through a streamlined client function.

4.4 Part of work on this Business Case has been a review of existing arrangements and previous initiatives to improve and co-ordinate business support. This suggests that the following lessons should be learned and applied in a new solution for Economic Development in Croydon:

- **Funding** – to be successful and sustainable Economic Development needs access to varied and innovative funding sources, including increasingly generating its own revenue streams through charging, trading, sponsorship and events;
- **Leadership and Vision** – organisations need clear, strong, talented leadership, legitimacy, transparency, and support from key partners. Any new organisation must have a clear role and remit. The experience and needs of the private sector are primary in economic development, and they should be given the freedom to lead on delivery of this agenda;
- **Rationalisation** – there is a need to simplify, not add to, the current network of institutions, to make delivery arrangements clearer, achieve efficiency savings, and secure a higher profile for a single lead Economic Development organisation for the borough;
- **Realistic** – change management is a complicated process, existing staffing and contractual arrangements must be acknowledged, and no company can change the landscape overnight. With the right structures and stakeholder support, the right solution should be able to make quick wins from the outset, and then introduce new medium and long term approaches to better securing agreed outcomes.

5. THE BUSINESS CASE FOR AN ECONOMIC DEVELOPMENT COMPANY

5.1 The current business support set up described above is widely considered by stakeholders to be confusing and inefficient. The case for the new Company in Croydon can therefore be summarised as follows:

- **Clarity & Rationalisation** – the new Company will establish a single point of contact for customers, clients and businesses seeking services. It will also rationalise services on offer by coordinating delivery of previously separate organisations.

- **Value for Money** – the new Company will generate efficiency savings in terms of accommodation, support functions and staff costs by merging Croydon Business, Croydon Enterprise, and Envibe, and potentially bringing other organisations within the new Company.
- **Delivery** - Croydon has a challenging Economic Development Strategy to deliver, and a single body is deemed most likely to ensure speed of delivery and change.
- **Business Support Simplification** - The new Company model can be shaped to take advantage of the national Business Support Simplification Programme (BSSP), which seeks to ensure that all public funded business support activities have uniform branding, and use Business Link as a gateway to these services. Croydon is a BSSP demonstrator authority, and has the opportunity ensure that the new Company is well placed to act as the central point of delivery for business support in the borough.
- **Private Sector Leadership** - integrating private sector principles into delivering local business support initiatives will allow for a fresh approach to shaping and steering the implementation of the Economic Development Strategy.
- **Access to Funding** - as a unified voice for Croydon, the new Company will be well placed to lobby Government agencies for funding support. The new Company will also be better positioned to leverage private sector investment and matched funding. It can also set up trading subsidiaries to undertake commercial activities and charge for services within its remit.
- **Marketing** – the concensus of consultation activities is that Croydon needs an organisation to promote Croydon and secure inward investment. The new Company will fulfil this role.
- **Importance of Croydon to South London** – Croydon is recognised as the most important economy in South London, but the new Company can be positioned to place Croydon at the forefront of a sub-regional agenda, in terms of lobbying, delivery and leading collaboration with partners.

6. THE IMPORTANCE OF TIMING – WHY NOW?

There are several critical factors which mean that the time is right now to implement this change, and emphasise the importance of not delaying the process:

- There is a will from stakeholders to pull together and provide a sustainable, adaptable, committed body to take the borough forward and make a step change in delivery.
- The current Economic downturn creates a bigger risk for the Croydon economy and a need to accelerate Croydon’s economic development agenda.

- Funding and delivery plans for Croydon Business and Croydon Enterprise are in place for next two years plus, giving the new company a solid platform on which to build
- New Economic Development Strategy agreed and delivery momentum now needed
- Croydon has the biggest investment pipeline in the past two decades but this is extremely fragile and needs support.
- Mature partnership arrangements, including the Economic Development Partnership, are now strongly established
- One time opportunity to strengthen the case for additional 5 years LEGI funding in 2010
- National policy, including the Business Support Simplification Programme and the 'Sub-National Review of Economic Development and Regeneration' setting higher expectations about what can be achieved locally, and the need for a more unified approach
- The Department for Communities and Local Government has made available guidance on how to make best of advantages of Economic Development Companies this year

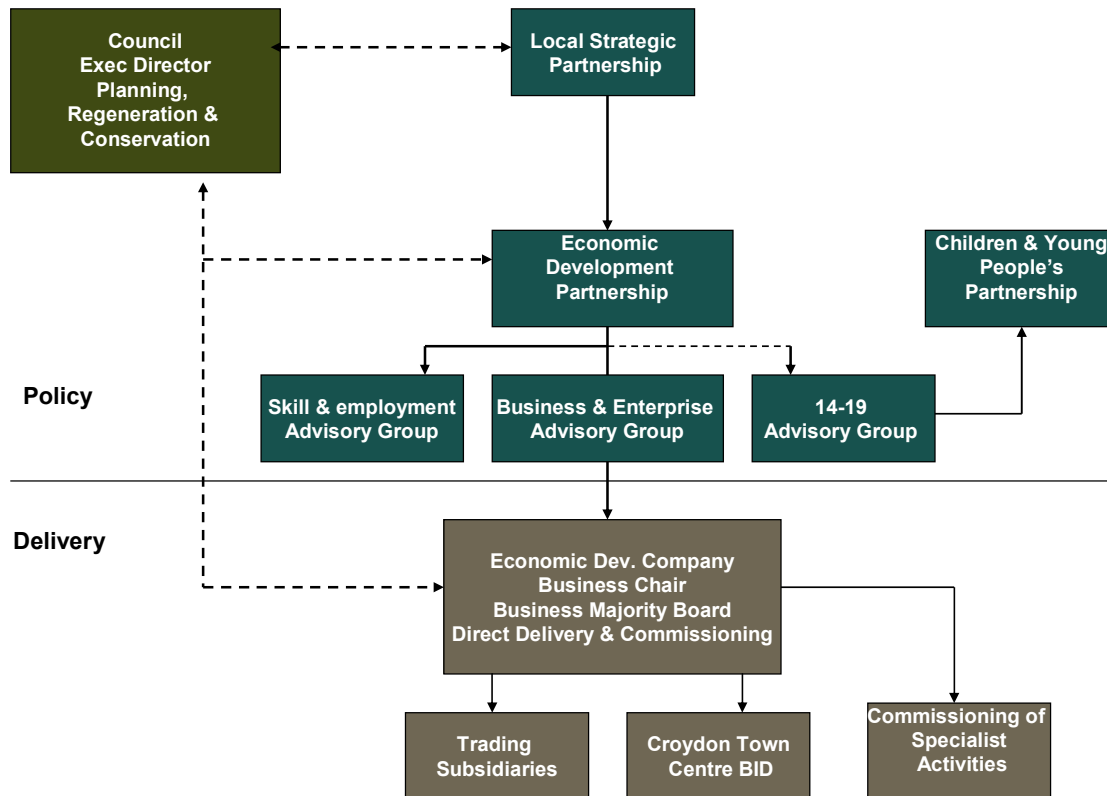
6. OBJECTIVES FOR THE NEW COMPANY

6.1 It is therefore proposed that the new Company is set up to meet the following objectives:

- Deliver appropriate parts of the Economic Development Strategy on behalf of the Economic Development Partnership, with the ability to determine delivery methods within an agreed framework;
- Provide a single co-ordinated, focussed point of contact for external customers and stakeholders;
- Leverage additional finance to support Economic Development priorities within the borough, and establish a sustainable business model which will not be dependent on LEGI funding in the medium term;
- Engage the business community and utilise private sector expertise to maximise outcomes for the local economy; and
- Ensure appropriate mechanisms for safeguarding the use of public sector funds, value for money, and accountability.

7. STRUCTURE OF THE ECONOMIC DEVELOPMENT COMPANY

7.1 The chart below sets out the proposed structure for the new company and its relationship to the Local Strategic Partnership.



Page 11

7.2 Responsibility for Croydon's Economic Development Strategy will remain with the Economic Development Partnership and the Council. The Economic Development Partnership is a successful public-private body including cross party Council representation, and will be supported by three sub-theme advisory groups, representing the breadth of issues covered by the economic development agenda. The Business and Enterprise Partnership will fulfil the role at present filled by the LEGI advisory group, and will provide a dedicated sounding board and expert advisory forum for the new Company. The 14-19 advisory group reports to the Children and Young People's Partnership, but should have a dotted line relationship to the Economic Development Partnership and the new Company to maximise an integrated approach to skills and education.

7.3 As the lead delivery organisation, the new Company will be required to meet target outcomes as set out in the Economic Development Strategy and the Local Area Agreement. The Company will be required to report to the Economic Development Partnership (as the 'owner' of the Economic Development Strategy and the economic development Local Area Agreement target outcomes) and the Council according to an agreed schedule.

8. FUNCTIONS OF THE ECONOMIC DEVELOPMENT COMPANY

8.1 It proposed that the Company focuses on the following roles:

- **Economic Development Strategy Implementation** – including coordination and implementation of the strategy and monitoring and evaluation of the targets set out in the implementation plan
- **Business/Enterprise Development and Support** – to include the existing LEGL activities currently carried out by Croydon Enterprise and Croydon Business (in conjunction with the Business Support Simplification Programme)
- **Inward Investment** – this will include development and marketing of Croydon's inward investment proposition and the management of the offer
- **Skills Development and Employment Brokerage** – the new Company will play a key role in improving business engagement, co-ordinating the delivery of training to businesses, identifying skills needs and promoting local employment opportunities
- **Town Centre and District Centre Management** – including Croydon Town Centre BID and any future BIDs. The BID will be a ringfenced subsidiary of the new company, and will retain its current governance arrangements and separate BID Board. The Company must operate for the benefit of the entire borough, which will include a focus on the importance of District Centres.
- **Grant Bidding** – the new Company will be expected to actively seek out bidding opportunities from a range of potential funding sources such as the London Development Agency and European funds.
- **Image, brand development and marketing of the borough** – the new Company will have responsibility of promoting Croydon on a number of different levels
- **Business Greening** – will include promoting and delivering sustainability practices and services to the local business community,
- **Managed Workspace** – the company will have a trading subsidiary which generates income from the management of Council owned and other property assets through rental for business start up and managed workspace.

The new Company will also have responsibility for wider lobbying to positively influence regional and national policy for the benefit of Croydon, and for maintaining a strategic oversight of the business environment in Croydon.

- 8.2 The new Company will be formed initially from a coming together of Croydon Business, the BID, Envibe and Croydon Enterprise into a single new body. This has in principal support from the LEGI advisory Group, Croydon Business Board, Croydon BID board and was approved by the Economic Development Partnership on 29 September. There is a strong case for bringing other organisations within the new Company over time, either directly, or as part of a group structure. This would assist in achieving stated aims of rationalisation and simplification of service delivery, improved co-ordination and efficiency, and better value for money. This should be part of the longer term ambitions for the Board and Chief Executive, and should not hold up the set up of the new Company now.
- 8.3 A name for the new company has not yet been proposed. Although there are some advantages in using the existing brands which have received considerable investment and have some public recognition, a fresh start and new identity would be best to give the company legitimacy.
- 8.4 The new Company should not be a 'membership' organisation (which accepts subscription fees to represent specific corporate interests or provide access to certain services), as Croydon Chamber of Commerce and the Federation of Small Businesses provide this function for businesses. Both organisations are supportive of the proposition, and are keen to work closely with the new company. The new Company will be intended to serve all of Croydon's businesses on a non-partisan basis. Some Economic Development Companies have set up schemes which allow a 'friends of' or affiliates function so that businesses can show their support for the Company and so that the company can attract private sector revenue. This is an option that will be explored by the Croydon Economic Development Company.
- 8.5 The new Company will be established as a part of a framework of arms length special purpose vehicles to increase the pace of economic and regenerative improvements to Croydon. The new Company will therefore be complementary to and work closely with the Croydon Council Urban Regeneration Vehicle (CCURV) and the Housing Special Purpose Vehicle. It is proposed that the management of these vehicles meet on a regular basis to ensure the development of synergies, particularly around the construction of Enterprise centres and new employment facilities, and in the implementation of the borough's strategy to tackle worklessness. This is critical to ensuring holistic and sustainable approaches to regeneration and development.
- 8.6 The new Company will be constituted so that it can operate across South London, although it will be intended to have a Croydon focus. This flexibility is essential in enabling the Company to be outward looking, to access revenue through potentially providing services for other boroughs, and to be attractive to funding partners such as the LDA who look for sub-regional initiatives. The Council will be able to ensure that Council funds are directed towards Croydon initiatives through the terms of grant funding agreements.

9. LEGAL STATUS

- 9.1 Following consultation with existing new Companies and specialist legal advice, it is proposed that the new Company is set up as a company limited by guarantee. This is the most common structure used by the public sector when setting up arms

length vehicles. Companies limited by guarantee can operate group structures with trading subsidiaries undertaking commercial activity in line with the company's objectives. Although the creation of profit will not be a primary aim, any profit made can not be redistributed but is reinvested in the business of the company.

9.2 The purpose of the new company would clearly be set out in the Company Objectives included in the Memorandum and Articles of Association. Draft Objects are attached at Appendix 2. The Company's Memorandum and Articles of Association have been drafted by external legal advisors in conjunction with an Advisory group from the Economic Development Partnership. These are based upon a common national public sector model, which has previously been approved by the department of Communities and Local Government.

10. FOUNDING MEMBERS OF THE ECONOMIC DEVELOPMENT COMPANY

10.1 As a company limited by guarantee, the new company will not have shareholders but Members who fulfil the normal functions of owners. A Member can be either a person or a corporation, who is a subscriber to the Memorandum and Articles of Association. The Council will be a Member of the new body through nominating a representative, as the Co-Chair of the Economic Development Partnership, a major funder (through LEGI) and local employer.

10.2 Members have constitutional responsibility for a company limited by guarantee. They do not engage with the day-to-day operation of the company but have powers to change the constitution and to make fundamental decisions, such as removing a director.

10.3 The liability of the Council and other members of the new company would be limited to a set nominal amount (e.g. £1).

10.4 In order to support private sector leadership of the new company, and allow maximum ability to achieve its objectives at arms length to the Council, it is important that the company is not classified as a 'Local Authority controlled' company. This requires that Council has 20% or less of the total company membership, which means that there needs to be a minimum of four other members in addition to the Council.

10.5 The exact make up of the remaining Members will need to be agreed with named bodies. It is recommended that the other initial subscribers are as follows:

- The Private sector Co-Chair of the Economic Development Partnership
- The Croydon Town Centre Business Improvement District as a Corporate Member – with the role to be carried out by the Chair or one of the Board
- Croydon College as a Corporate Member – with the role to be carried out by a nominee from the Chair of Governors
- A private sector organisation with a business representation role on a sub-regional or London wide basis, and which indicates the intent of the company to access regional and national funds – with the role to be carried out by a nominee from the Board.

10.6 It has been recommended by the Council's legal advisers that the number of Members should be kept to a minimum for efficiency in administration. However,

the membership of the new Company could be extended if the founding Members deem it necessary in future. For example, other Economic Development Companies have the relevant Regional Development Agency as a Member, to recognise the volume of financial support received from these bodies.

11. GOVERNANCE OF THE ECONOMIC DEVELOPMENT COMPANY

11.1 The new company will have Council representation on the Board, but be business-led, with a private sector chair, and a majority of business representatives as Directors. An open competitive recruitment process with best practice 'Nolan' rules will be used to appoint the new Company Chair, Board members and Chief Executive (if appropriate). Nolan rules require the following:

- Directorships to be publicly advertised, using a suitable variety of media outlets
- A shortlist to be compiled by committees with, or overseen by, independent members
- Candidates to be interviewed by a panel of key partners
- Appointments to be announced in the press

11.2 The Board should have a maximum of 9 members, to allow focus and timely decision making. In recognition of the Council's pivotal role as a major funder (through LEGL grant funding), and as a major employer, it is recommended that the board includes two Council representatives. There will also be a facility for specified observers to attend Company Board meetings.

11.3 Other board members would be appointed through the recruitment process, which will be led by the Co-Chairs of the Economic Development Partnership, who will form an interview panel. It is essential to the success of the new Company that a strong board, which is representative of the diversity within the borough, and which covers a broad range of skill sets and sectors, is appointed. Successful applicants should also be able to demonstrate a commitment to Croydon and to the purpose of the Company.

11.4 Some remuneration or attendance allowance/ expenses may be offered to the Board to secure commitment and the best talent. Board members will be subject to limited length terms to ensure rotation of Board membership and access to new talent.

12. COUNCIL INFLUENCE OVER THE NEW COMPANY

12.1 As an arms length body, the new Company will benefit from private sector expertise and operating principals, and will set its own business plan for delivery of agreed outcomes. It is, however, essential that the Council can ensure that public sector funds are protected, and that the new company delivers the expectations of the Economic Development Partnership.

12.2 Further to legal advice, a number of potential mechanisms are recommended to protect these objectives. These are common tools used also by other Local Authorities setting up Economic Development Companies.

- Memorandum & Articles of Association – specifying the aims and objectives on the company and activities which would not be permitted
- Conditions specified in grant funding letters
- Service Level Agreement (SLA)/Contractual arrangements – to set out the day-to-day obligations/relationship with other stakeholders
- A ‘Charge’ over the Company – as a condition of receiving grant funding, the Council could take a charge on the assets and/or finances of the company, thereby providing the opportunity to claw-back funds
- The company members, including the Council would retain the power to seek removal of the Chair, the Chief Executive officer, and Non-Executive Directors as a last resort.

13. FINANCING THE ECONOMIC DEVELOPMENT COMPANY

Transition and First Three Years

- 13.1 It is recommended that the Council fund the new Company through a significant proportion of the LEGI budget, which will provide substantial revenue funding from 2009-2012. LEGI funds are received by the Council from Communities and Local Government as part of Area Based Grant. As such they are no longer ring fenced and could be transferred to the new Company as a grant with an associated funding agreement. This allocation of budget and functions has been approved in principal by Communities and Local Government.
- 13.2 Croydon has also recently secured £6m in grants from ERDF for economic development purposes over the next three years. Croydon Business is responsible for around £1.6m of these funds, which could be part of the income for the new Company. When combined with other grant funding streams, sponsorship and minor trading activities, the new Company will have a healthy and guaranteed cashflow for at least the first few years.
- 13.3 Both LEGI and ERDF funds include capital allocations. It is proposed that major capital assets (for example LEGI enterprise centres) remain under the ownership of the Council. They would then be leased to the Economic Development Company on a peppercorn rent. The new Company would then be able to use these assets to generate income (for example through rental of managed workspace.)

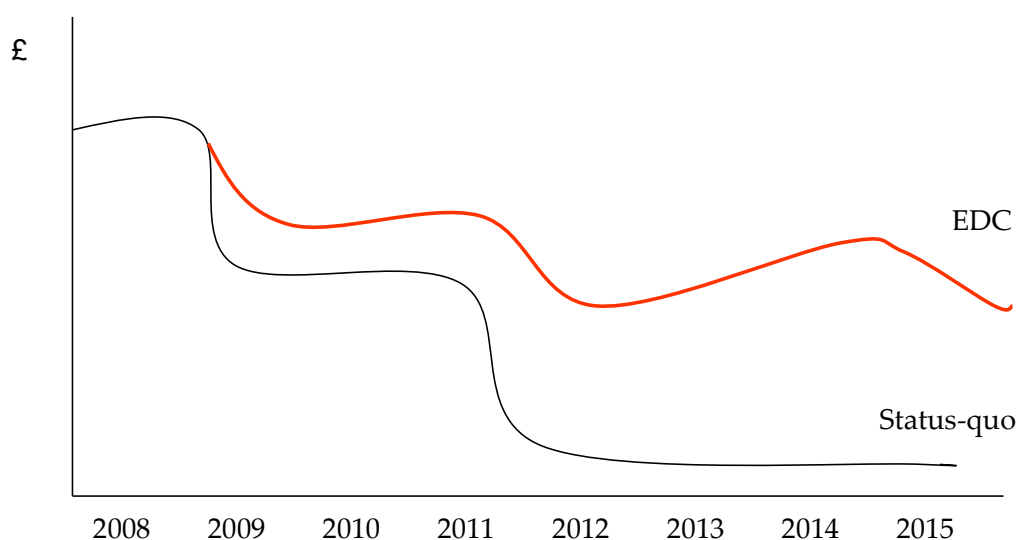
Mid term Financial Plan

- 13.4 LEGI funding is not guaranteed after 2011. In the mid term, the new company will therefore need to rely on alternative revenue sources to maintain its activities. The influence of the private sector is anticipated to be key in this respect. As private sector led and run the new company should be more credible as a recipient for private sector investment, and should be able to demonstrate increased value for money in use of resources. The ability to access increased private sector funding for economic development is a key part of the company’s long term ambitions.

13.5 This is illustrated in the graph below, which compares potential revenue funding over time for Economic Development with the new Company as opposed to with a retention of the status quo. The majority of current revenue money is from LEGI. The LEGI programme from 2009-11 includes significant capital allocations, and revenue will therefore decrease in any case from 2009. Post 2011, monies may largely dry up in the status quo scenario.

13.6 With the Economic Development Company, some quick wins should be possible from the outset which will boost revenues from 2009 onwards – for example through London Development Agency or Homes and Communities Agency monies. As the Company becomes established, it should also access additional private sector funds through innovation, sponsorship, charging and trading, and lead on bidding for public sector grants. Annual income and expenditure will vary year on year, dependent on various grant funding streams, and outputs will need to be agreed each year in lines with these variations.

Croydon EDC Business Case - Revenue Funding & Sustainability



13.7 It should however be acknowledged that the new company is likely to be dependent upon public sector funding for the long term. This is the case with all the other Economic Development Companies nationally under development. In particular, we are in discussion with the LDA. It is normal practice for the Regional Development Agency to be a key funding partner in other Economic Development Companies. The LDA met with the Council's Economic Development Company project team in Croydon on the 9 October, to discuss how the new Company is aligned with the LDA's emerging priorities and approach to commissioning. The Economic Development Company was also included on the agenda at the first Croydon Greater London Authority family forum on the 3 October. The strategic importance of Croydon as a destination to live and work is increasingly widely acknowledged, and it is likely that the Borough will be designated a strategic

'Outer London hub' in the revised London Plan. The Council's project team have also been invited by the Department of Communities and Local Government to host the next Economic Development Company network meeting on 25 November, where the Minister will be in attendance.

13.8 An additional core support grant from the Council may be required in the longer term, which again is common practice nationally. A case would be made for this at a later date, based upon the desirability of the Council in supporting Economic development activities in the Borough as part of our strategic priorities.

13.9 Sources of funding which should be pursued by the Company's management and board include:

Public Sector Funding

- London Development Agency
- English Partnerships/ Homes & Communities Agency
- Skills Partners – including Learning and Skills Council (or emerging bodies) and CALAT
- European Funding
- LABGI (Local Authority Business Growth Initiative)
- Contract income from providing services to other Boroughs or public sector agencies.

Private Sector Funding

- Charging & Trading – for services, including training
- Events & Sponsorship
- Rental income from LEGI enterprise centres and other managed workspace tenants
- Developer contributions, including section 106 agreements and the new Community Infrastructure Levy
- The current Business Improvement District (BID), and any new Neighbourhood BIDs
- Potential use of future powers to collect and utilise supplementary business rates
- Leveraging assets or securitising income streams, along the lines of the 'Barnet Bond' model to generate additional finance.

13.10 By using a combination of these income streams in the long term the company should be able to create a sustainable business plan, and secure additional public and private sector funding to that currently being invested in Economic Development in the Borough.

Financial Risk Exposure & Exit Strategy

13.11 It is not possible at this stage to provide detailed accurate financial forecasts for the new company. As a commercial not for profit enterprise the Company should use its status and powers to access the funding streams above, and to raise monies necessary to achieve its objectives. Preparatory budgeting will be undertaken by the Transition team, and producing the 2009-10 budget and

business plan will need to be the first priority of the new Company's Chief Executive and Board.

13.12 However, with this degree of potential variation over the level of future funding, Cabinet should consider the risks the Council would be exposed to should the Company enter financial difficulties. The worst case scenario is that the Company begins trading, but is forced to be wound up at some later stage. The risk of this is mitigated as:

- The regular reporting requirements on both performance and financial position from the Company to the Economic Development Partnership (which is co-Chaired by Council) will mean that early warning of any financial issues will be picked up.
- The Company will be required as part of the funding agreement for receipt of LEGI funds to ensure appropriate internal controls, including audit arrangements are in place.
- The legal structure of the company would mean that the financial liability for the Council (and other Members) would be limited to its £1 guarantee.
- The Council could utilise its power as a company Member to remove key members of the board and management team as necessary. This would need the agreement of two of the other four members.
- The Council could activate the charge over the company to ensure that any company assets after other liabilities are settled revert to Council control
- A review would then be undertaken as to whether certain functions of the company, and relevant staff/ contracts should be brought back in house. There would be no obligation on the Council to do so, but this may be desirable for continuity of service provision.

(Approved by: Richard Simpson, Deputy Director Corporate Financial Services.)

14. SAVINGS/EFFICIENCIES

14.1 Although the creation of the new Company will not result in direct savings to the Council, it should also not generate any additional costs. The Company set up costs would need to be contained within the overall LEGI allocation of the Area Based Grant, and the Council has the option of recovering some of the set up costs from the new company when it is operational. It is, however, an explicit aim of the new Company that duplication of services is addressed, which should allow efficiencies to be achieved over time. The requirement to achieve best value can be built into any funding agreements with the new company.

15. TIMETABLE AND IMPLEMENTATION PLAN

15.1 It is intended that the Company should go live from 1 April 2009, in line with the new financial year. Once all approvals are secured key tasks in the transitional period include:

- Setting up an Economic Development Company Implementation Group and Transition team
- TUPE consultation process

- Commencing Recruitment process for new appointments
- Operational considerations, including accommodation, finance and IT systems
- Due diligence and contract novation
- Preparatory work on 2009-10 Company budget and Business Plan.

15.2 This work should be undertaken by a combination of staff from the merging bodies, supported by specialist consultants and independent legal advisors where necessary. Details of transitional arrangements and the timetable for implementation are included at Appendix 3.

17. CONSULTATION AND SPECIALIST ADVICE

15.3 In February 2008 the Council, on behalf of the Economic Development Partnership, commissioned Regeneris Consulting to provide a scoping study on the options around establishing a new Company. The study gave a number of case studies and examples of best practice to consider which are built upon in this paper.

15.4 Following a tender process, Navigant Consulting were appointed in April 2008 to work with the Partnership on the practical arrangements of establishing an Economic Development Company. Navigant is a regeneration specialist consultancy with experience in setting up Urban Regeneration Companies, and also has expertise in bespoke delivery vehicles, stakeholder consultation, project management and implementation.

15.5 Discussions with external stakeholders and potential external funding partners has taken place alongside Council, local business and stakeholder consultation. A list of consultees is included at Appendix 1. Consultation responses have been very positive as to the benefits of setting up a new company and are supportive of the principals set out in this paper.

18. HUMAN RESOURCES IMPLICATIONS

18.1 The majority (if not all) of the employees of the new company would transfer initially under TUPE from the Council (including Croydon Enterprise and Envibe), Croydon Business, and the BID company. All permanent staff at Croydon Enterprise are Council employees. In addition there are some Council staff currently on secondment to Croydon Business. A TUPE process for relevant staff into the new company is the preferred route. This will simplify the staffing structure post-transfer by removing the complexities of secondment arrangements, and enable staff to fully embrace the new and separate identity and culture of the new Company. It is proposed that a TUPE consultation process is begun on 1 November should Cabinet approve this report.

18.2 Council employed staff who transfer to the new Company under TUPE will need to be offered by the new Company either: 1) access to a pension scheme which is certified as being broadly comparable to the existing Local Government Pension Scheme (LGPS); or 2) continuing access to the LGPS by virtue of the new Company becoming an admitted body in the Croydon Pension Fund in the LGPS in accordance with the relevant LGPS regulations. Discussions with HR, Treasury and Pensions and

external legal advisors on the transfer of pension liabilities and the requirements which will need to be satisfied in order for the Council to enter into an admission agreement with the new Company, and the alternative of possible transfers to a broadly comparable scheme, are ongoing.

18.3 Once established, the new Board and Chief Executive may conduct a strategic review which identifies areas for efficiency savings. This may identify the need for additional or different jobs going forward or identify the need for a restructuring to take place which could include potential redundancies. The Council would not be liable for redundancy payments in this instance for employees who are not its own employees, but could offer to indemnify the new Company against resulting liabilities. In addition, one option to be considered is that any redundant staff could be offered access to the Council's redeployment register for a period.

18.4 Some staff within Croydon Enterprise and Croydon Business are on short term contracts to March 2009 pending the commissioning of LEGI activities for 09/10 and beyond. It is desirable to maintain momentum in the set up and TUPE process so that staff can be given clarity as to future roles and opportunities, and so the best talent can be retained.

18.5 Independent legal advice will need to be taken throughout this process and in relation to all of the above options.

Approved by Robert Laban Head of HR Consultancy on behalf of the Director, Human Resources and Organisational Development.

19. RISK ASSESSMENT

19.1 The options appraisal in Appendix 5 includes in the 'Do Nothing' option the risks to the achievement of the Council's objectives if an Economic Development Company is not set up. These include:

- Failure to access funding for economic development after the end of LEGI.
- Difficulties in delivering the Economic Development Strategy, and hence in reversing the gradual economic decline in the Borough.
- Inability to access private sector resource, leadership and expertise

19.2 A full risk assessment which considers the risks to be addressed during the set up process and once the company is established, and how these should be managed, is included at Appendix 4.

20. OPTIONS APPRAISAL

Officers have identified four options for Members to consider. Options have been scored on a value for money basis against their ability to deliver the objectives set out in section 6 over the long term.

20.1 Option 1 – Do nothing: A new Company would not be set up, leaving Croydon Enterprise as the delivery arm for the LEGI programme.

The implications of maintaining the status quo are that the present complicated arrangements continue. Whilst officers in Croydon Enterprise and Croydon

Business have made significant progress, this will have implications in terms of the Business Support Simplification Programme, which concentrates on minimising duplication, and Croydon will also miss an opportunity to use an emerging model to reinvigorate business involvement in the delivery of LEGI and the new Economic Development Strategy. However, the key factor that rules out this option is that LEGI funding is finite (and likely to expire in March 2011). This necessitates that the Council explore a means of finding a new and sustainable approach to delivering local economic development activity in Croydon. The new Company is seen as the best means of addressing this key issue.

20.2 Option 2 – Strengthen Croydon Business Support Network

Under this option, Croydon Business Support Network (CBSN) could be strengthened, through investment of LEGI funds, so that it could act as an umbrella organisation for Economic Development activity in the Borough. It is presumed that this would continue to be on an informal partnership basis. As a support and advisory body rather than a delivery body, it is unlikely that the Network be able to directly raise funds. Although potentially allowing better co-ordination between partners, this would not meet many of the objectives set.

20.3 Option 3 – Establish the Economic Development Company as a wholly owned subsidiary of the Council.

The new Company could be set up with the Council as the sole Member, and with the Board having a public sector majority and/ or Chair. It is considered that the minority business representation in this model would be insufficient to attract the necessary interest and commitment of private sector partners. It could also compromise future funding bids, as it may not be as attractive to potential funding partners.

20.4 Option 4 – Establish the Economic Development Company as business led Company limited by guarantee, with Council representation in the Membership and on the Board.

This option best allows the achievement of the objectives set, and scores highest in our options appraisal. With this structure, the company can access both public and private sector funds, and benefit from an arms length arrangement with private sector involvement and expertise. At the same time, a combination of contractual and constitutional controls will allow the Council to protect public sector funds and ensure delivery of required outcomes. This structure has received support from key stakeholders during the consultation process.

20.5 Preferred Option

A summary table with total scores out of 20 is shown below. The results of this analysis are that Option 4 best address the objectives set, by a considerable margin. Full analysis of the scoring and descriptions of each option are included in Appendix 5. Option 4, establish a Private Sector Led Economic Development Company, is therefore the model

developed in this paper. The other options are not viable in this analysis, and are not recommended for further consideration.

Option	Description	Total Score
1	Do Nothing – maintain the status quo and continue with existing funding and delivery arrangements. Do not set up a new Company.	5/20
2	Strengthen Croydon Business Support Network as an informal partnership umbrella organisation	5/20
3	Establish Council Led Economic Development Company	8/20
4	Establish Private Sector Led Economic Development Company	18/20

21. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

The Solicitor to the Council comments that s.2 Local Government Act 2000 provides a power for the local authority to do anything which it considers is likely to achieve the promotion or improvement of the economic well-being of their area. Insofar as it will support delivery of the Council’s Economic Development Strategy this may include the establishment of the Economic Development Company and associated expenditure, financial assistance, arrangements or agreements with any person or providing staff, goods, services or accommodation.

The main legal considerations arising from this proposal are already detailed in the body of the report however, the Council’s external legal advisors with extensive experience in the field of economic regeneration, have been engaged to advise on suitable structures for a company to deliver the Economic Development Strategy.

As part of these discussions it has been identified that even prior to the Economic Development Company being established there may be a need for its prospective board Members and Directors to receive advice on company and staffing matters separate to that being given to the Council to ensure there is no conflict of interest. It is proposed that this will be funded by the Council under its s.2 powers but on the basis that these sums will be recovered from future funding transferred to the Economic Development Company.

Approved by Gabriel Macgregor, Deputy Council Solicitor (Corporate) on behalf of the Council Solicitor & Monitoring Officer.

22. CUSTOMER IMPACT

The creation of a new single Company to lead on the delivery of the Economic Development Strategy and provide business support should improve the quality and diversity of services provided to customers.

23. EQUALITIES IMPACT ASSESSMENT (EIA)

23.1 The creation of the new Company will involve a merger of several existing organisations currently delivering economic development and business support services in Croydon. It is therefore expected to improve relations with all customers and beneficiaries by improving access to services, and reducing duplication. It will not adversely affect the framework for relevant service delivery for any section of the community. An initial equalities impact assessment has been undertaken. The arrangements set out in this paper strengthen the capacity to deliver existing equalities targets and outcomes, including representation from black and minority ethnic residents, disabled residents and women and continue to support the monitoring and reporting of the impact across key groups. Recruitment to the key posts will be done through an open and competitive selection. Process. The TUPE arrangements will be subject to an additional equalities impact assessment.

24. ENVIRONMENTAL AND DESIGN IMPACT

24.1 The proposals contained in this paper do not have any direct environmental implications. However, by including Envibe, the Council's business greening function, in the new Company, a higher profile will be given to these services. The new Company will also be report to the Environmental Partnership on business greening and sustainability, including contributing to LAA targets on tackling climate change.

25. CRIME AND DISORDER REDUCTION IMPACT

25.1 The new Company will work with the Safer Croydon Partnership, local businesses and the police to ensure that Economic Development initiatives contribute to reduction in crime and disorder across the borough.

26. HUMAN RIGHTS IMPACT

26.1 There are no Human Rights implications arising from the recommendations contained in this report.

27. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

27.1 Details of the new Company structures, including it's Memorandum and Articles will be accessible through Companies House. Other documentation produced by the Council in relation to this proposal might also be accessible in response to a request made under the Freedom of Information Act subject to the application of any relevant exemptions.

CONTACT OFFICER: *Damian Roberts, Director of Strategy and Communications X
47008*

BACKGROUND DOCUMENTS

*Economic Development Strategy
Economic Development Strategy Implementation Plan
Croydon Enterprise LEGI Delivery Plan*

APPENDIX 1: Croydon new Company proposal – Consultation programme

Organisation
Business Link
CALAT
Communities and Local Government
Cornwall Development Company
Creative Sheffield
Croydon BID
Croydon BME Forum
Croydon Business
Croydon Business Support Network
Croydon Business Venture
Croydon Chamber of Commerce
Croydon College
Croydon Commitment
Croydon Council
Croydon Economic Development Partnership
Croydon Education Business Partnership
Croydon Enterprise
Croydon Voluntary Action (CVA)
English Partnerships/ Homes & Communities Agency Set up team
Envibe
Federation of Small Business
Hull Forward
Job Centre Plus
Learning and Skills Council
LEGI Advisory Group
Liverpool Vision
London Development Agency
Mott MacDonald
Newcastle Gateshead City Development Company
Plymouth Economic Development Company
SLEMBA
South London Business

Organisation

South London Partnership

UK Trade & Investment

APPENDIX 2: Draft Company Objects

The Company's objects are to promote, encourage and assist the economic development, regeneration and social and environmental prosperity of the South London area and such other areas as the members shall unanimously determine from time to time (the "Area") with specific regard to:-

1. The development, co-ordination, implementation and management of economic development strategies for the Area.
2. The provision, facilitation, encouragement and support of business finance and business support services in relation to start up, development, diversification, growth and expansion of businesses and enterprise, skills and innovation including provision of advice and consultancy services to assist any individual, company, undertaking, co-operative or other group to establish or expand an enterprise within the Area and/or the provision of funds (including Local Enterprise Growth Initiative (LEGI) funds), such resources to be made available on a commercial, gratuitous or subsidised basis as appears to the Company to be appropriate;
3. The facilitation, encouragement and support of inward investment into the Area and to provide on-going support for investors who invest in the Area;
4. The promotion and marketing of the Area as a destination to work, live and visit;
5. The promotion, delivery, sponsorship, co-ordination and funding of the treatment, development and physical regeneration of land, buildings, transport and infrastructure in the Area;
6. The facilitation and encouragement of the development of housing and commercial premises within the Area provided that such activities should not directly compete with the raising of funds or the activities of the Croydon Council Urban Regeneration Vehicle and Housing Special Purpose Vehicle.
7. The sourcing of funding from any public, private, quasi-governmental bodies or agencies including bidding for and receiving grants, funds and subsidies to assist with the funding of the Company and its activities;
8. The co-operation with all relevant external organisations to assist with the promotion of the Objects;
9. The promotion and marketing of services provided by the Company and the development of the brand of the Company;
10. The promotion of association between the private sector and public sector;
11. Including but not limited to the sourcing of funding, co-operation, partnerships, exchange of information, provision of services, pursuit of business collaboration and networking opportunities in promotion of the Objects and work of the Company;
12. The provision of business support advice on environmental issues and sustainable development including matters relating to waste, energy, water and transport; helping businesses to identify green issues and encouraging environmental good practice
13. And to carry on any other business support activity whatsoever which can in the opinion of the board of directors be advantageously carried on in connection with or ancillary to any of the businesses or activities of the Company (the "Objects").

APPENDIX 3: Timetable and Transitional Arrangements

1. Economic Development Company Steering Group

A steering group should be set up to receive monthly reports from the Economic Development Company Transition team outlined below. The Steering group should include a representative from the Boards of Croydon Business and Croydon BID, and the Council Co-Chair of the Economic Development Partnership, Cllr Pollard, as senior representatives of the bodies coming together in the new Company. Other members of the Economic Development Partnership, which includes cross party representation, and the other Members of the Company should be invited to sit on this group should they wish. The purpose of the Steering group will be to monitor progress on transitional arrangements, and advise on any interim/ shortlife arrangements that would impact on the Company before the Chair is in place. Once the new Chair is appointed, they would Chair this Steering Group. Once the Company board is in place, the Steering Group would disband.

2. Economic Development Company Transition Teams

A series of Transition teams will be set up from October 2008. An Economic Development Company team to include senior management representatives from all the merging bodies (Croydon Business, Croydon Enterprise, Envibe and the BID, plus the Council Head of Economic Development,) should:

- Establish a risk register for the set up process, and keep this updated with appropriate risk mitigation actions;
- Lead on preparatory business planning for the new Company, including a consolidated 2009-10 budget, and areas for initial efficiency savings;
- Draft the Economic Development Strategy implementation plan for approval by the Economic Development Partnership;
- Carry out reviews and make recommendations on operational issues such as financial systems, IT systems, accommodation, branding and website for the new company. Such recommendations would be submitted to the Company board for approval at its first meeting in early 2009;
- Draft policies and procedures for the new Company, including health and safety, human resources, expenses and ethics;
- Set up Company bank accounts, insurance, manage appointment of internal and external auditors;
- Draw up a communications strategy with internal and external stakeholders including businesses and the media;
- Draft Service Level Agreements with the Council and other key partners, and draft legal grant funding agreements for delegation of LEGI funds to the new Company; and

- Co-ordinate novation of contracts to the new Company.

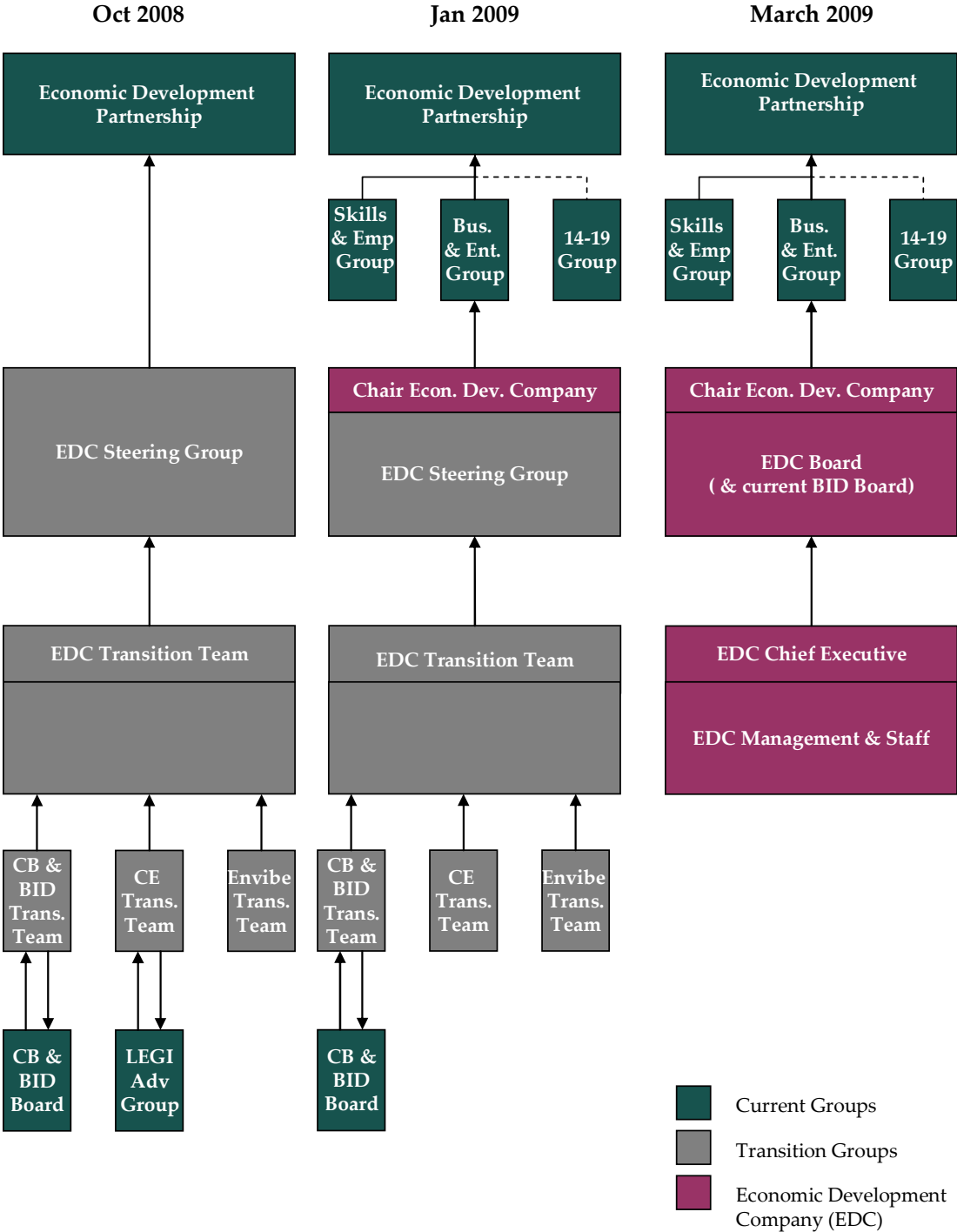
There is a significant volume of work which will need to be carried out by this team, and a number of specialist skill sets (legal, HR, finance, IT, communications, marketing) will be required.

In addition, individual transition groups will be needed within each merging body, to carry out the following;

- Produce individual organisation risk registers for the transition process;
- Ensure information required by lawyers for the due diligence process is available and provided in a timely manner;
- Co-ordinate the TUPE consultation and transfer process, and support staff through the transition; and
- Review existing contracts, and bring proposals for contract novation or termination to the Economic Development Company transition team.

3. The following diagram shows suggested Transition governance arrangements, in the period from October 2008 – March 2009 when the Company would be fully operational.

Suggested Transition Governance Arrangements



Delivery Timetable

Task	Activities	Estimated Date for Completion
1.	Stakeholder Consultation	1 September 2008
2.	Establish Economic Development Partnership Company Advisory group (to assist with development of proposals)	August / September 2008
3.	Economic Development Partnership approval to proceed	29 September 2008
4.	Croydon Business Board/ BID Board approval to proceed	October 2008
5.	Croydon Council formal decision to proceed	20 October 2008
6.	Appointment of Company Members	November 2008
7.	New Company registration with Companies House	Mid November 2008
8.	Transition teams established, due diligence, review of contracts, detailed operational transition plans.	October- December 2008
9.	Commence TUPE Consultation	November 2008
10.	Local Government Pension Scheme assessment	End of November 2008
11.	Recruitment Consultant appointed	November 2008
12.	Recruitment process for Company Leadership	Job Specification- October Adverts- October Interviews - mid - November Appointments - mid -December 2008 Chair starts – January 2009
14.	Transition team starts preparatory work on 2009-10 Company Business Plan and Budget	December 2008
15.	First Company Board meeting	By March 2009
16.	Staff and asset transfer, contract novation	March 2009

Task	Activities	Estimated Date for Completion
17	Economic Development Company Chief Executive in post	March 2009
18.	Chief Executive submits detailed Economic Development Company Business Plan and budget	May 2009

APPENDIX 4 – Risk Assessment

Ref	Risk	Mitigation Measure
	Timetable & Delay	
1.	<p>That a decision is not made to proceed at this time, and the timescales for establishing an Economic Development Company slip. This would result in a loss of momentum and a shorter timeframe for the company to utilise LEGI funding.</p> <p>This may impact negatively on the chances of securing additional LEGI monies post 2011 should they be available.</p> <p>Delay may also mean a missed opportunity, to use a Company model currently favoured by national government, with Croydon the first London Borough to embrace the model. This can be used to raise the profile of the Company and attract funds.</p>	<p>Agree recommendations in this report as basis to proceed, secure necessary additional approvals, and establish necessary Transition teams and Steering group to support timetables and assumptions. Maintain momentum and focussed project management through use of appointed specialist consultants.</p>
2.	<p>That the transition to the new Company disrupts delivery on LEGI and Economic Development Strategy targets and reporting requirements</p>	<p>Set up Transition team responsible for detailed transition planning and change management, with appropriate governance and monitoring arrangements. Support Transition team with appropriate specialist resources. Maintain momentum in set up arrangements.</p>
	Recruitment & Staffing	

Ref	Risk	Mitigation Measure
3.	That current staff retention and morale is impacted by the process of transition	To communicate the significant opportunities for staff that would be available in the new Company. Maintain momentum to ensure that transition process begun and uncertainties addressed as quickly as possible. Ensure that the interests of staff are looked after in this process. Work closely with HR to ensure that the consultation process keeps existing staff fully apprised of the progression towards setting up a company. Aim to minimise period of uncertainty by ensuring timely decisions are made.
4.	Impact of Pension considerations to the TUPE process	Start consultations early. Work with HR, Finance and legal advisers to ensure that all avenues are explored, and as a minimum ensure compliance with relevant legislation and relevant Code(s) of practice, which may include admitted body status within the Local Government Pension Scheme.
5.	That the business community is not sufficiently well engaged to have real confidence in the new Company, and subsequently the new Company does not attract the necessary calibre of private sector representative to key positions, or recruitment is delayed.	Consultation with Business community, including continued presentation of Company proposal at relevant forums. Board and Membership structure are private sector led. Use of specialist recruitment consultants to publicise opportunities.
Funding		

Ref	Risk	Mitigation Measure
6.	That the new Company faces difficulties in accessing sufficient and sustainable public and private sector funds	<p>Development work includes consultation with key potential funding organisations. The emerging company business plan will have strong private sector influence, and will benefit from input on both achieving efficiency, and on maximising revenues.</p> <p>It is considered that it would be appropriate for the Company Chief Executive and Chair to have experience of raising funds and profile.</p> <p>One option is for the Company Chief Executive and Chair to have performance targets linked to raising finance.</p>
Working Relationships with the Company		
7.	That the Company and the Council do not establish or maintain a good working relationship, leading to public disagreement or issues in agreeing targets/ funding.	<p>One option is for Relationship management to be built in to role specifications and/ or performance targets for Company Chief Executive and Executive Director at the Council.</p> <p>Potential use of Memorandum of understanding on Communications and Public Relations.</p> <p>Use of Service Level Agreements/ funding agreements to set out expectations.</p>
8.	That the new company is diverted from its core purpose of delivering the Economic Development Strategy for Croydon.	Purpose and powers of Company will be clearly set out in the Memorandum and Articles of Association.

APPENDIX 5 – Options Appraisal

Options have been scored on a value for money basis against their ability to deliver the objectives set out in section 6 over the long term.

Option 1: Do Nothing – Maintain the Status Quo

Under this option, no new Company would be set up, and the current roles of different delivery partners would continue. After LEGI funding ceases, it is likely that Croydon Enterprise would be disbanded and that Economic Development Activity in the borough would decrease.

Objective	Advantages	Disadvantages	Score (1-4)
Delivery of Economic Development Strategy	Roles are currently set out in the Implementation Plan for the Economic Development Strategy	Widespread view that existing arrangements will not deliver to the scope of improvements required. Risks to timeliness and success of delivery. Complex reporting lines. Does not address delivery implications arising from the end of LEGI funding – which means that post 2012 funding delivery of the strategy will be very difficult.	1
Single Point of Contact for Customers		Lack of clarity of roles/responsibilities and confusion for external funders, stakeholders and businesses. Does not address key recommendation in Economic Development Strategy to set up single point of contact. Does not address requirements of Business Support Simplification programme.	1
Securing Funding	Croydon Council multi-agency model is established, and has been successful in securing LEGI and ERDF funds	Changing public sector funding environment. Agencies will effectively be in competition when bidding for local (Area Based Grant) or external funding. Lack of private sector leadership makes co-ordinated approach to accessing private sector funding difficult.	1

Objective	Advantages	Disadvantages	Score (1-4)
Engaging Businesses	Maintains present levels of businesses engagement.	<p>Private sector perception is of inefficient delivery, so option misses opportunity to galvanise and invigorate private sector support, which will be increasingly important for LAA delivery.</p> <p>Confusion amongst businesses as to who to go to for advice.</p> <p>Lack of co-ordination of business engagement causes frustration for the private sector</p>	1
Value for Money & Accountability	Current cost and accountability arrangements are embedded.	<p>Finite public sector funds (in a tightening public sector funding environment) – no succession planning for Economic Development after end of LEGI programme.</p> <p>Croydon Enterprise team, with existing relationships and knowledge, would need to be disbanded once LEGI programme finishes.</p> <p>Increased costs arising from duplicated administration and overheads – limited economies of scale.</p> <p>Public sector bureaucracy and procurement rules may be seen as hindering flexibility and innovation in use of funds.</p>	1
Total			5/20

Option 2: Strengthen Croydon Business Support Network

Under this option, Croydon Business Support Network (CBSN) could be strengthened, through investment of LEGL funds to support better co-ordination and communication between different service providers. CBSN currently acts as an informal partnership of member organisations, in an advisory capacity, and does not directly deliver services. With significant administrative or funding changes it could act as an umbrella organisation for Economic Development activity in the Borough.

Objective	Advantages	Disadvantages	Score (1-4)
Delivery of Economic Development Strategy	Offers some coordination for the established multi-agency model	This option does not address issues of duplicated administration and processes, and misses the opportunity to reduce the complexity of reporting lines. No clear remit or leadership. Adds further bureaucracy to existing set up – would not streamline delivery.	1
Single Point of Contact for Customers	Croydon Business Support Network could act as an overarching brand/gateway for customers	Continuing the multi-agency approach will not address issues of lack of clarity of roles/responsibilities and business confusion. Increasing the role of CBSN would in effect add further to number of organisations rather than rationalising.	1
Securing Funding	Partners have previously been successful in securing funding (LEGL, ERDF etc)	Changing public sector funding environment. Agencies will effectively be in competition when bidding for local (Area Based Grant) or external funding. CBSN is a support organisation rather than a delivery body and would be unlikely to raise or spend significant funds itself.	1
Engaging Businesses	Existing relationships with the business community could be strengthened through improved coordination of activity.	Private sector perception is of inefficient delivery, so option misses opportunity to galvanise and invigorate private sector support, which will be increasingly important for LAA delivery and funding. As an informal partnership CBSN would have limited public profile or influence with the private sector.	1

Objective	Advantages	Disadvantages	Score (1-4)
Value for Money & Accountability	Improved coordination on a voluntary basis should lead to efficiency gains among partners. Present accountability processes would remain	<p>Does not address concerns over duplication and level of overheads.</p> <p>Would create additional administrative costs that would need to be funded to cover CBSN activities.</p> <p>Would create a further level of bureaucracy and reporting structures.</p> <p>As CBSN has no public sector directors it would be unlikely to receive delegated authority for public sector funds, or to receive public grant funding directly.</p>	1
Total			5/20

Option 3 – Establish Council led Economic Development Company

Under this option, a new Company would be set up as a wholly owned subsidiary of the Council, as the primary delivery body for the Economic Development Strategy. This option assumes that Croydon Enterprise and Croydon Business form the core of the new Company. The Company would be classified as a Local Authority Controlled Company, and would be subject to European Union procurement rules for purchase of products and services. All staff would technically be Council employees, although the Company would operate at arms length to the Council.

Objective	Advantages	Disadvantages	Score (1-4)
Delivery of Economic Development Strategy	Replaces the multi-agency model with a new body with lead responsibility for delivery of the strategy.	<p>Gives the impression that the Council will dominate agenda, which risks alienating other delivery partners and the business community.</p> <p>May prevent new approaches to delivery.</p> <p>Council led company may not be able to attract best talent into economic development.</p> <p>This model is extremely unlikely to gain the support of the Croydon Business Board, or the Croydon BID board.</p>	1
Single Point of Contact for Customers	Creates new company which could market itself as key point of contact	May create further competition as other existing public and private sector business support organisations may continue.	2
Securing Funding	Easy to access public sector funds directly from the Council and from other public sector partners.	<p>May reduce the opportunity for bids backed by genuine public/private sector partnership.</p> <p>May have limited success in attracting private sector funds for what will be seen as a Council service.</p>	2
Engaging Businesses	As an arms length company may be better able to engage businesses than Croydon Enterprise as part of the Council.	Risks portraying the message that the Council will dominate, therefore alienating the business community and key partners in business engagement. Misses the opportunity to invigorate the business community	1

Objective	Advantages	Disadvantages	Score (1-4)
Value for Money & Accountability	<p>Reduces duplicated spending on overhead, administrative costs, etc, and simplifies the reporting mechanisms required to monitor delivery.</p> <p>As public sector body minimises risks associated with devolving taxpayers funds to private organisations.</p>	<p>Effectively externalises a Council department, which raises the question of 'why it would be necessary?'</p> <p>Also risks continuing the present external perceptions of Council inefficiency and 'interference'.</p>	2
Total			8/20

Option 4 – Establish Private Sector led Economic Development Company

This option proposes a new company limited by guarantee is established as a private sector led body at true arms length to the Council. Although it would have Council representation in recognition of the significance of public sector funding, the Company would have a private sector Chair and private sector majority Board. This is the model recommended throughout this paper, and is the preferred option from this options appraisal.

Objective	Advantages	Disadvantages	Score (1-4)
Delivery of Economic Development Strategy	<p>Replaces and coordinates the multi-agency model. Improves relations with the private sector and external partners to increase likelihood of effective delivery of priorities.</p> <p>Demonstrates commitment of Council to move away from direct delivery and leave the private sector to choose how best to achieve agreed outcomes.</p>	<p>Transitional arrangements need to be carefully and swiftly managed to prevent any disruption to service delivery.</p>	<p>3</p>
Single Point of Contact for Customers	<p>Merges key agencies to reduce the complexity of offer to customers. Maximises the prospects for private sector 'buy-in'.</p> <p>Creates structure which can grow to take in other organisations in the medium term.</p>	<p>Other business support organisations will still exist, but will need to work in partnership with the new company.</p>	<p>4</p>
Securing Funding	<p>Gives opportunity for genuine public/private sector partnership-backed bids.</p> <p>Involvement of private sector will be attractive to LDA and government agencies.</p> <p>As a public-private body will be able to receive funds delegated from the Council, including LEGI, LABGI, and s106.</p> <p>Credible recipient for private sector funds – gives best chance of securing ongoing funding for Economic Development after LEGI.</p>	<p>Effectiveness of bidding may depend on experience of incoming Chief Executive.</p> <p>(As with all models, will be dependent to some degree on public sector funding.)</p>	<p>3</p>

Objective	Advantages	Disadvantages	Score (1-4)
Engaging Businesses	<p>Establishes an improved coordinated business-led message to the business community. Sends very positive signal of intent to business community, which has proven in other areas to invigorate participation.</p> <p>Well received model during the consultation process.</p>	(As with all models, needs well connected private sector Chair, and commercially experienced Chief Executive to secure successful business engagement).	4
Value for Money & Accountability	<p>Reduces duplicated spending on overhead, administrative costs, etc.</p> <p>Introduces private sector ideas on efficiency and revenue generation.</p> <p>Simplifies the reporting mechanisms required to monitor delivery.</p> <p>Minority Council representation allows for assurance to tax payers over value for money.</p> <p>Contractual controls and Service Level Agreements can allow for appropriate accountability arrangements.</p>		4
Total			18/20