

## **BRECKLAND DISTRICT COUNCIL**

### **Report of Mark Kiddle-Morris, Executive Member for Assets and Strategic Development**

**To: Cabinet 7<sup>th</sup> January 2014  
Council 23<sup>rd</sup> January 2014**

**(Author: Mark Stanton Economic Development Manager)**

**Subject: Economic Development (ED) Service Transformation Phase 1**

**Purpose:** The report requests that Council approve the set up of a Community Interest Company (CIC) to enable the Economic Development (ED) Service to bid for contracts that can generate income and test the market demand for its products and services. This is a Phase 1 approach over the financial year 2014/15 prior to the service becoming a wholly owned subsidiary based on the success of Phase 1.

#### **Recommendations**

- 1) Approve Option 1: Set up a Breckland Council wholly owned Community Interest Company (CIC), Resource4Growth CIC.**
- 2) The Economic Development (ED) Manager is appointed as the CIC Director**
- 3) An interim CIC Board is set up consisting of The Portfolio Holder for Assets and Strategic Development, the Chief Executive and the ED Manager to provide governance and monitor performance on behalf of the Council**
- 4) Audit Committee and Cabinet to receive quarterly reports from the Interim CIC Board on financial performance.**

## **1. BACKGROUND**

- 1.1 The multi award winning Breckland Economic Development Service is recognised locally, regionally and nationally for the delivery of innovative and high performing community, business support and resource efficiency projects. Over the last 13 years the service has attracted and delivered over £50 million of externally funded projects within the District and beyond. This approach of delivering the Councils economic development priorities through external funding has resulted in a wide variety of verified tangible benefits to Breckland resident and business communities creating jobs, economic growth and regeneration across the District.
- 1.2 The service has achieved this while increasing delivery capacity and consistently driving down salary budgets and the need for match funding from the Council while increasing the leverage of European and private sector funding (see Appendix 1 below).
- 1.3 The Executive Member for Assets and Strategic Development mandated the Economic Development Manager to come up with a strategy to further reduce costs to zero by March 2015 while continuing to deliver a high quality service for the District and continue to produce sustainable outcomes for our communities and businesses.
- 1.4 Currently work is being undertaken on the preparation of a draft business plan detailing how the service can continue to sustain itself and produce budgets to reinvest in economic development activity in the future.

- 1.5 To go beyond the current cost recovery model and generate income the ED service needs to have the ability to bid for contracts at a competitive charge out rate. We have identified a number of products and services that we believe are unique and would give us a competitive edge in a new market place.
- 1.6 So the draft business plan can be informed, given credibility and opportunities can be explored and realised, a separate commercial entity needs to be set up so we can test the demand for our products and services and prove our ability to secure work and generate income.
- 1.7 After investigating and evaluating a range of suitable vehicles we have concluded that the CIC social enterprise model would provide us with the best vehicle to market test our approaches and second team members onto to deliver at commercial charge out rates.

	<b>Limited Company (Ltd)</b>	<b>Community Interest Company (Ltd)</b>
<b>Benefits;</b> Value Achieved, Timing, Sustainability	Independent trading entity not tied to distribution of profits in the community.	Official 'third sector' organisation, recognised as such with a transparent associations.
<b>Feasibility;</b> Technically, People, Process	One master – Companies House.	Two masters – Companies House and the CIC Regulator.
<b>Resources;</b> Cost Scale, Income	nil	Potential for greater range of funding mechanisms for projects.
<b>Risk;</b> Deliverability, Dependency, Reputation	Possibly considered the same as many other service providers in this markets being considered.	Much less crowded sector, greater levels of confidence afforded CICs. Immediate USP over Ltd. competitors.
<b>Cultural;</b> Ethos Values Focus	Main purpose to generate income. Principally a commercial approach.	Local Authority and European/Government funding friendly in terms of ethos, values and focus (see1.8 below)

1.8 The Mission Statement for Resource4Growth CIC is as follows:

*“To provide exceptional business growth services utilising our unrivalled expertise in European funding and environmental management by developing and delivering innovative projects enabling business, local authorities and communities to maximise their economic impact & benefit”.*

The Resource4Growth CIC’s ethos will be one of working with and supporting businesses rather than to be in direct commercial competition.

Our values will be:

**Simplicity – *straight forward, plain speaking design and delivery***

***Integrity – driving social good through reinvestment of profits by collective decisions***

***Innovation – creating a service that promotes partnership and supports economic growth***

1.9 Summary of the main Points:

- The ED Service has a proven track record of delivering successful business support and externally funded projects for SMEs and communities while increasing capacity and reducing costs to the Council.
- Our aim is to become a zero cost service by March 2015
- To achieve this aspiration the service needs to generate income beyond the current cost recovery model
- A CIC needs to be set up as part of a phased approach so the Service can test demand for it's products and services in the identified market place during financial year 14/15
- The above will inform the draft business plan and demonstrate the viability of a wholly owned Council subsidiary Resource4Growth CIC.
- Once proven Resource4Growth will continue to deliver for the Council and others with the aim of eventually creating its own budget for the delivery of business support and growth projects to SMEs.

## **2. OPTIONS**

2.1 The following is a summary of the Options and any subsequent recommendations.

### **Option 1:**

- 1) Set up a Breckland Council wholly owned Community Interest Company (CIC), Resource4Growth CIC.
- 2) The Economic Development (ED) Manager is appointed as the CIC Director
- 3) An interim CIC Board is set up consisting of The Portfolio Holder for Assets and Strategic Development, the Chief Executive and the ED Manager to provide governance and monitor performance on behalf of the Council
- 4) Audit Committee receive quarterly reports from the Interim CIC Board on financial performance.

**Option 2:** Do nothing

## **3. REASONS FOR RECOMMENDATION**

3.1 Option 1 Recommendation 1) will enable the ED service to set up a CIC to market test their products and services and provide additional information and evidence to support the business plan for the transformation of the ED service. Recommendations 2), 3) and 4) will provide the necessary statutory governance and oversight for the CIC and the Council for Phase 1.

## **4. EXPECTED BENEFITS**

- 4.1 The CIC entity, Resource4Growth, will enable existing ED team members to be seconded onto trial contracts at charge out rates that can generate income to further reduce ED costs.
- 4.2 Further benefits from Option 1 are:
- **Cultural** - Empowerment of managers and teams to test innovative new ways of working to transform services
  - **Reputation** - Demonstrate that Breckland is an entrepreneurial Council and is leading the way in pioneering new local government delivery models.
  - **Direction of Travel** - Creates the opportunity to move to Phase 2 of ED Service Transformation ultimately providing the Council with a sustainable zero cost service that creates its own budget to reinvest in economic growth activity.

## 5. IMPLICATIONS

- 5.1 **Legal** – A legal structure, namely a CIC will need to be set up as set out in Appendix 2 to this report. In terms of governance a CIC Board will need to be set up which would include the appropriate member and officer.
- 5.2 **Risks** – Some back filling of team members may be required if trial contracts are secured. There will need to be a refocus of some activities within the team to ensure the quality of project delivery is not compromised.
- 5.3 **Financial** – The cost of setting up the CIC entity is dependant on the complexity of how it is formed, however this should be no more than £500. This and associated web presence and marketing materials can be covered from existing ED budgets. Finance will need to support ED in the setting up of any bank accountants and financial systems to ensure invoicing will work for the CIC and with existing Council budgets. There may be a requirement from the Invest to Save Reserve for an investment by the Council to provide working capital for the CIC subject to advice from Finance. Advice will also be required on the VAT status of the CIC.
- 5.4 **Timescales** – The CIC entity needs to be set up for January 2014 so that ED can put into action our market strategy.
- 5.5 **Equality and Diversity** – N/A
- 5.6 **Stakeholders / Consultation** – All team members have been consulted with at every stage and the service has been restructured (New Ways of Working Report October 2012) to provide the skills and capacity to move toward achieving the collective aspiration.
- 5.7 **Contracts** – Contractual arrangements will need to be entered into by Resource4Growth should work be one.
- 5.8 **Section 17, Crime & Disorder Act 1998** – N/A
- 5.9 **Other** – Over the last two years some commercial soft market testing of products and services has been undertaken creating some modest income generation.
6. **WARDS/COMMUNITIES AFFECTED** – depending on contracts won.
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**Director/Officer who will be attending the Meeting**

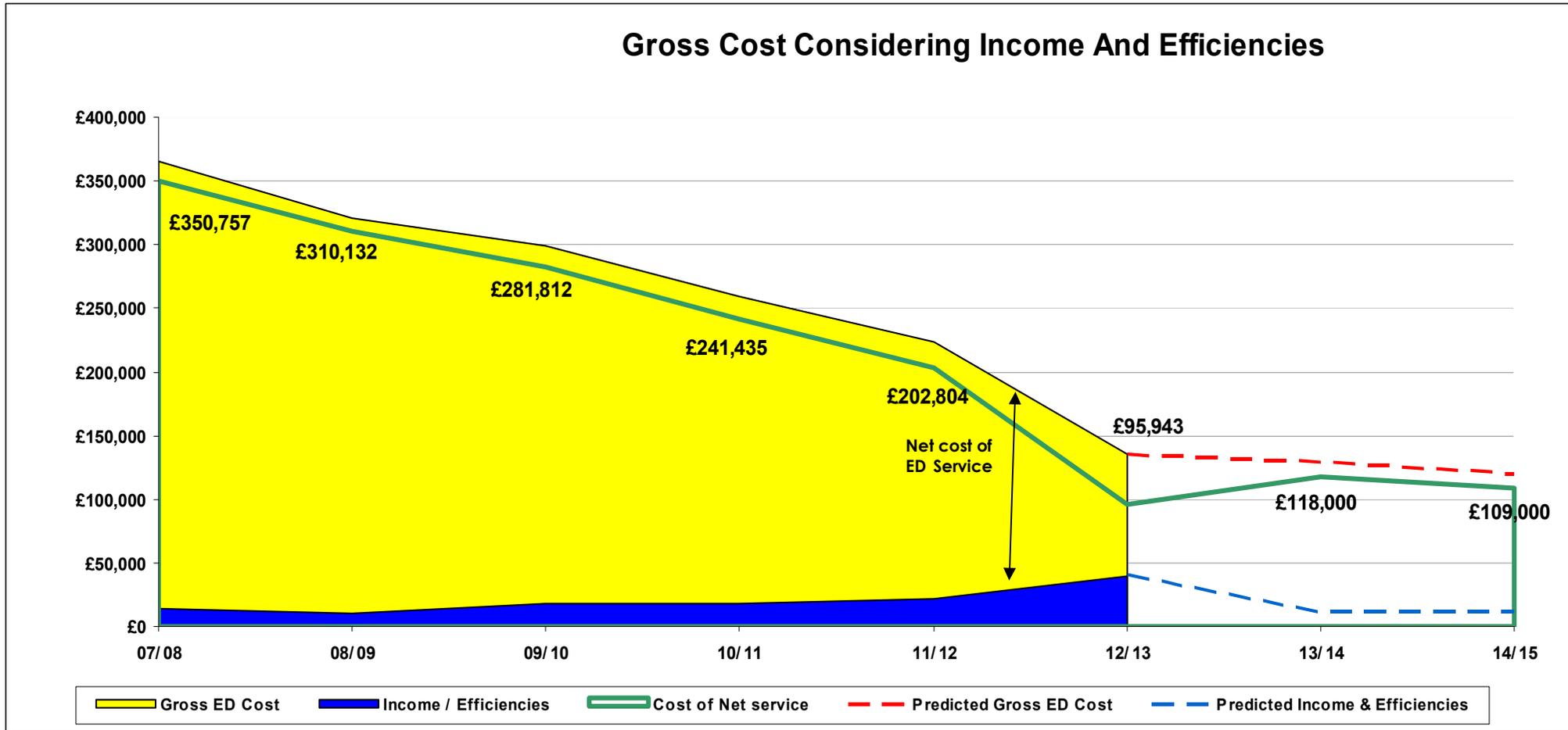
Name/Post: Mark Stanton Economic Development Manager

**Key Decision – No**

**Appendices attached to this report:**

Appendix 1: Cost of Economic Development Service

**APPENDIX 1 – COST OF THE ECONOMIC DEVELOPMENT SERVICE**



This graph illustrates how the cost of Breckland’s ED Service has consistently reduced over the past 6 years and also draws predictions for the next 2 years. The Yellow block shows the gross ED cost reducing whilst the blue block indicating income & efficiencies increases, thus reducing the net cost further. The green line indicates the resulting net cost of the ED service. Figures used up to 12/13 are actual figures from the budget book.