

**EXECUTIVE MEETING  
7 MARCH 2007**

**Report of the Economic Development & Regeneration Manager**

**SOMERSET INWARD INVESTMENT COMPANY (SIIC)  
(This matter is the responsibility of Executive Councillor N. Cavill)**

**Purpose of the Report**

- a) To advise members on Progress made towards establishing a Somerset Inward Investment Company.
- b) To seek approval for this Council to become a founding partner of the proposed Company
- c) To seek approval to a TDBC financial contribution to the costs of the first three years of operation of the Company in the sum of £12,500 in financial year 2007/08; £25,000 in 2008/09; and £25,000 in 2009/10
- d) To establish the principle that representation on the proposed SIIC Board of Directors should be the responsibility of the Executive Portfolio holder for Economic Development and Property.

**1. Background**

- 1.1. Proposals to establish a Somerset Inward Investment Company have been under discussion since November 2005. The proposed company is intended to develop a county-wide marketing presence specifically to address the mis-match between the perceptions that businesses in the South East and English Midlands (the County's primary geographic target areas) currently have of Somerset as a place to holiday, but not to do business.
- 1.2. In addition through vigorous and targeted marketing, the Company will actively work to attract new business relocations, together with supporting expansion plans for local companies and those based outside of Somerset but within the South West.
- 1.3. A specialist consultancy (Place Marketing Co) has been engaged by the County Council to work with partners to develop a business plan and a detailed business case. This was concluded in December 2006. Place Marketing, together with the Economic Leaders (sub) Group of the Somerset Strategic Partnership have developed the proposal, and have agreed to support the development of the SIIC.
- 1.4. The Company will operate as a partnership between the Local Authorities in Somerset, Business Representative Organisations, individual business stakeholders (such as Westland, Yeo Organics etc) Academic institutions and the Regional Development Agency.

- 1.5. Concerns have been expressed by the Districts that much of the 'internal to Somerset' work of the Company could duplicate or overtake that carried out by Districts. This mainly involved the work currently carried out by Districts in preparing economic data, liaising with major employers in their areas, and would be in danger of losing the local knowledge and expertise on land and property availability and in working with planning and other regulatory services to support inward investing and expanding companies.
- 1.6. Much work has been carried out by partners to establish the various roles and priorities of the SIIC and the Districts in supporting inward investing companies, and to address the concerns of Districts within the partnership. As a result SIIC will be:
- A stand alone company, limited by guarantee
  - A funding partnership with the County Council and Districts, together with contributions from the Private Sector, Academic Institutions and SERDA
  - An initial 3-year agreement, following which, assuming that SIIC has performed to expectations, funding for continuation would be approved
  - A small executive Team of a Chief Executive (£50k per annum), and two account executives (£40k per annum)
  - A separate office location, probably outside of the three main centres of Taunton, Yeovil or Bridgewater
  - A Board of Management comprising funding partners in the region of 18 persons strong.
  - A start date of 1 April 2007, with recruitment of personnel and office premises completed by 1 September 2007.

## 2. The Current Situation

- 2.1. Taunton Deane BC is the last of the funding partners to consider this proposal, and all other partners have approved both the principle and funding as outlined later in this paper.
- 2.2. An application for funding for £50,000 per annum for three years from SWERDA has been submitted through the RDA Somerset Team, and the outcome of this is still awaited.
- 2.3. Funding Proposals for the new company are as follows:

|                              | £,000's |         |         |
|------------------------------|---------|---------|---------|
|                              | 2007/08 | 2008/09 | 2009/10 |
| Somerset County Council      | 125.0   | 125.0   | 125.0   |
| South Somerset DC            | 15.0    | 30.0    | 30.0    |
| Taunton Deane                | 12.5    | 25.0    | 25.0    |
| Mendip                       | 10.0    | 20.0    | 20.0    |
| Sedgemoor                    | 10.0    | 20.0    | 20.0    |
| West Somerset                | 2.5     | 5.0     | 5.0     |
| Academic Institutions        | 10.0    | 20.0    | 20.0    |
| SWERDA                       | 50.0    | 50.0    | 50.0    |
| Private Sector Contributions | 10.0    | 25.0    | 25.0    |

### **3. Continuing concerns**

3.1. Concerns have been raised by our District Colleagues during discussions, and still remain to be finally resolved:

a) Issues of Governance

The Districts have expressed disquiet at proposals from the Private Sector that the Board of Management be as small as is practicable. This seems to be supported by the County Council. A concern over representation on the Board for District Funding Partners has been raised by Mendip DC.

At the most recent meeting of the Officer Working group it was agreed that :

- a Board of Management be established of all funding partners (possibly as large as 26 in number).
- This Board be tasked with the strategic overview, direction and performance of the Company, and meets quarterly.
- That in addition a small Executive Management Group be elected from the Board of Management to liaise directly with the staff group, take a day to day interest in the activities and promotional events of SIIC, and approves spending requirements when necessary.

It is recommended that TDBC representation on the SIIC Board of Directors be the responsibility of the Executive Councillor for Economic Development and Property.

b) Proposed Remuneration for the staff group

A number of Districts have expressed concern that the proposed salary levels (particularly that of the Chief Executive) has been set too low to attract a specialist, experienced practitioner who will provide the correct expertise and impetus to SIIC

There are a number of (sub) Regional Inward Investment Agencies in the UK – most of whom pay their Chief Executive in the range of £60,000-£80,000 per year. The proposed salaries for the remaining staff appear to be at the lower end of the market rate. It is envisaged that the SIIC Chief Executive position may prove attractive to a current ‘second in command’ of an existing agency. There is some concern that the proposed salary levels for this SIIC post will not be sufficient to attract applicants to Somerset, particularly if fixed term contracts, relocation and other family disruptions are taken into account.

It has been noted by the Economic Leaders Group that any increase in salary levels for the SIIC Chief Executive, because of the finite funding package, will result in a corresponding reduction in the spending (marketing) of SIIC. With this in mind, It is proposed that TDBC’s annual contribution be up-lifted from the original proposed sums of £10,000 in 2007/08 and £20,000 in the following two years to the figures indicated at paragraph 2.3 above.

### **4. Financial Implications**

4.1. Allocation for the costs of the Council’s contribution to SIIC for each of the three years can be contained within existing budgets for Marketing established and recommended by Strategic Planning, Transportation and Economic Development Scrutiny Panel for the use of LABGI funding in 2006. It is intended to repeat this distribution of LABGI funds in future years.

## **5. Recommendations:**

5.1. Members are recommended to

- i. Approve proposals for this Council to become a founding partner of the proposed Company
- ii. Approve a TDBC financial contribution to the costs of the first three years of operation of the Company in the sum of £12,500 in financial year 2007/08; £25,000 in 2008/09; and £25,000 in 2009/10
- iii. Establish the principle that representation on the proposed SIIC Board of Directors should be the responsibility of the Executive Portfolio holder for Economic Development and Property.

### **Officer Contact**

Steve Kendall Economic Development and Regeneration Manager

Telephone 01823 356534

Email [s.kendall@tauntondeane.gov.uk](mailto:s.kendall@tauntondeane.gov.uk)