

Taunton Deane Borough Council

Executive Committee – 1 December 2010

Review of inward investment activities delivered by the Into Somerset partnership, and request for future funding.

Report of the Economic Development Specialist

(This matter is the responsibility of Executive Councillor Norman Cavill)

1. Executive Summary

- 1.1 The Council has, for the past three years, contributed to Into Somerset, to attract inward investors to the County. The contract for the delivery of Into Somerset has been delivered during that period by the Somerset Chamber of Commerce and Industry.
- 1.2 Across the County the initiative has had successes attracting 76 jobs and safeguarding another 65 (plus another 411 in the pipeline). Within Taunton Deane the initiative has been less successful, having been instrumental in creating 1 job, and safeguarding 3 (with none in the pipeline).
- 1.3 The Into Somerset Board has asked all of the funding partners to make contributions to extend the project to March 2014 (three financial years). The contribution requested of Taunton Deane Borough Council would be in the sum of £12,500 in 2011/12, £10,000 in 2012/13, and £7,500 in 2013/14, which is a significant reduction on previous years.

2. Background

- 2.1 The Into Somerset project commenced in March 2008 with funding from the Somerset Strategic Partnership, Business Link Somerset and the six Somerset local authorities. The project has been delivered through a Service Level Agreement with the Somerset Chamber of Commerce and Industry and with the benefit of seconded IBM marketing expertise.
- 2.2 Into Somerset is led by a partnership Board comprising the six local authorities and businesses. The Council is represented on that Board by Cllr Cavill. Officer input is through a Steering Group, on which the Council is represented by the Economic Development Specialist.
- 2.3 The Council contributed £20,000 per year over the past three years to Into Somerset. The current funding arrangements and business plan come to an end

in March 2011 and partners have deliberated the forward strategy for partnership working on inward investment beyond March 2011.

- 2.4 The attraction of inward investment across all sectors of the economy is recognized in the Economic Development Strategy as an important strand of the Council's overall strategy to deliver an employment-led growth agenda.
- 2.5 This item was considered by the Corporate Scrutiny Committee on 21st October 2010, which resolved:
that the Executive be recommended to withdraw from the Into Somerset Partnership and deliver inward investment activities alongside Project Taunton, using the budget previously earmarked for Into Somerset for its own marketing activities.
- 2.6 Whilst recognising the importance of delivering inward investment support the Committee felt unable to support Into Somerset due to the poor return delivered by the partnership over the past three years.
- 2.7 The Committee recognised the importance of carrying out an inward investment function for Taunton Deane, but, based on the performance of the Into Somerset partnership to date, felt unable to support an extension of the contract.
- 2.8 Since the above report, the Into Somerset Board, comprising all the Local Authorities in Somerset and local businesses, has met. Cllr Cavil attended that meeting. The Board resolved, subject to funding contributions being confirmed by the Councils, to extend the contract with the Somerset Chamber of Commerce for a further one year period (ie. to March 2012), during which time the contract would be put out to a full tendering exercise for the ensuing period. That decision was based on two main considerations:
 - i. Firstly, the likely difficulties that the Board would have in attracting a suitable calibre of contractor to deliver the programme given that it is only a one year contract, and
 - ii. Secondly, the changing environment within local economic development; notably the role of the emerging Local Enterprise Partnerships, and the increasingly difficult budgetary position of local authority partners.

3. Independent Evaluation of Into Somerset to date

- 3.1 To assist in decision making about the future strategy an independent evaluation of Into Somerset was commissioned in Spring 2010 to provide a picture of the effectiveness of Into Somerset in promoting Somerset as a business location and attracting inward investment to the county. The evaluation included consultation with funding partners, businesses and other stakeholders in the development industry.

- 3.2 The evaluation found that Into Somerset was seen to have been very successful in a short period of time. It had made a good contribution to improving the image of the County, to developing strong marketing materials and campaigns, and to offer an excellent service with capable knowledgeable staff. It had performed less well in terms of quantifiable direct new investment, although it acknowledged that this should be given longer to build momentum.
- 3.3 There was some feeling that more attention needed to be given to involving some of the local areas, which felt they had not, as yet, seen a lot of benefit. They included Taunton. Governance was effective and not seen as too bureaucratic. An overwhelming majority, 87% of respondents, felt that the programme should be continued against 5% who did not support its continuation.
- 3.4 The evaluation identified that the crucial challenge for the sponsors of Into Somerset is to find a means of maintaining resources beyond March 2011. It is clear, though, that the injection of public funds in 2008 has leveraged significant private resources, either through staff secondments, business manager time or 'in kind' service contributions.

4. Return on Into Somerset investment

- 4.1 The local authorities have invested a total of £612,500 in the delivery of Into Somerset in the period March 2008 to March 2011. The targets set for achievement by the end of March 2011 were 120 enquiries dealt with per annum and a total inward investment over the period of 25 businesses or entrepreneurs creating or protecting 500 jobs.
- 4.2 According to Into Somerset by the end of September 2010 there had been 20 businesses assisted with the creation of 76 jobs and the safeguarding of 65 jobs. An additional 411 jobs are currently in the pipeline in 4 companies (ie have confirmed the business relocation but have yet to create the jobs). Furthermore, an additional 60 businesses have to date been supported through the enquiry process.
- 4.3 Table 1 presents a summary of jobs created and safeguarded broken down by the five Somerset Districts. Members will be disappointed to note that in relation to Taunton Deane the initiative has had modest success. To date 2 businesses have been assisted, creating one new job and safeguarding a further 3. No additional, potential jobs are in the pipeline.

Table 1: Outputs of Into Somerset Apr 2008 to Sept 2010

District	No. of businesses relocated	No of jobs created	No of jobs safeguarded	Additional Potential Jobs
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Mendip	5	3	5	7
Sedgemoor	4	66	34	150
South Somerset	7	6	20	234
Taunton Deane	2	1	3	0
West Somerset	2	0	3	20
Total Somerset	20	76	65	411

- 4.4 It is not easy to pinpoint exactly why Taunton Deane has fared so poorly in comparison to neighboring Districts. The view of the CEO of Into Somerset is that the initiative should be seen as a two strand project; firstly to raise the profile of Somerset as a place to do business, and secondly to actually secure the investment. Using that analogy the initiative has been very successful in delivering the former strand – increasing the number of visitors to the website, in gaining press coverage as a result of Into Somerset PR work, and obtaining followers on Twitter, Youtube and the other virtual networking media. The initiative has also strengthened relationships with local commercial agents, though it has been less successful in creating links with Project Taunton.
- 4.5 Into Somerset, as well as other businesses within the development industry, has also referred to the shortage of large sites for employment land in Taunton, outside of the town centre, to accommodate large inward investors.
- 4.6 The public sector investment has been successful in levering in other investment to support the work of Into Somerset. The Somerset Strategic Partnership contributed £60,000 and Business Link Somerset put in £25,000 to pump prime the initiative. The most notable private sector contribution has been the secondment of marketing management time and expertise from IBM to the value of £20,000 a year together with board membership at director level. Web site income from the property search feature has been approximately £3,200 over the last year. Private sector board members and other Business Ambassadors have given their time to help manage and promote Into Somerset.
- 4.7 Members might wish to take a look at the Into Somerset website at www.intosomerset.co.uk for a summary of the service available to investors through the initiative.

5. Future Budget Scenario

- 5.1 Having considered the independent consultant's conclusions, Into Somerset's return on investment to date, and having taking account of the severe budget pressures faced by the public sector, the Board of Into Somerset is seeking contributions from local authority partners to enable the continuation of the programme for a further three year period at a reduced scale.

- 5.2 A draft budget has been estimated to continue the current level of delivery but based on a reducing level of local authority contribution over the 3 years 2011 – 2014. The proposal is to use the local authority and PRG funding to support the core delivery of Into Somerset over the next three years and the private sector would be expected to support the marketing budget either in cash or in kind.
- 5.3 With the reducing amounts of local authority funding there is an inevitable need to increase the contributions by the private sector. The aim would be for the local authorities to exit in terms of funding support by the end of the 2013 – 2014 financial year. This suggests a transition during the funding period from a majority local authority board to greater representation of the private sector.
- 5.4 To ensure the future sustainability of the inward investment programme for the county financial contributions from local authorities on a downwards sliding scale will be required for the next three years. The proposed contributions are:

Table 2: Proposed Public Sector financial contributions to Into Somerset

	2011/12	2012/13	2013/14
Somerset County Council	£40,000	£35,000	£30,000
Mendip District Council	£12,500	£10,000	£7,500
Sedgemoor District Council	£12,500	£10,000	£7,500
South Somerset District Council	£15,000	£12,500	£10,000
Taunton Deane Borough Council	£12,500	£10,000	£7,500
West Somerset Council	£3,000	£2,500	£2,000

- 5.5 A contribution from the Somerset Local Area Agreement Performance Reward Grant of £140,000 has already been secured for the forthcoming three years.
- 5.6 A verbal update will be given at the meeting on other local authorities' positions in relation to the contributions requested

6. Discussion and Options

- 6.1 Inward investment plays an important role in developing the local economy; bringing new skills and business processes to the local area, and stimulating new supply chains and sectoral strengths. Be it from UK or foreign owned companies demand exists for good quality land in the UK with the right services, access, labour supply, and support. Taunton Deane has an enormous amount to offer potential investors, with its first class rail and road infrastructure, high quality built and natural environment, and its location within the South West. Whilst Members will be aware of the frustrations of the development industry referred to in paragraph 4.5 those issues are being addressed separately through the Core Strategy.

- 6.2 However, the role of the public sector in attracting inward investment has changed in recent years, mainly through the growth of the Internet. Investors can find a lot of the information they need off of the Web without contacting the local authority or its investment agents. It is important, therefore, that an effective and well informed presence is maintained on the web in order to furnish investors with the information they need in one attractive and accessible place.
- 6.3 Where the local authority can also add value is in overcoming the perceived barriers to investment (for example ensuring that statutory regulations do not impede appropriate development) and ensuring that there exists an adequate supply of the necessary resources to attract businesses, such as land, skilled employees and infrastructure. By consistently reinforcing that enabling role the Council can justifiably communicate to investors that it is 'open for business'.
- 6.4 In that context the Council appears to have the following options in delivering its inward investment programme:
1. To withdraw from inward investment activities, including web presence, and rely on the market to attract investment thanks to Taunton Deane's natural strengths, its locational advantages, and the activities of the private sector (eg commercial property agents).
 2. To withdraw from the Into Somerset partnership and deliver inward investment activities alongside Project Taunton, using the budget previously earmarked for Into Somerset for its own marketing activities. Through this mechanism the Council may be able to lever in funding and skills from business partners. However, this option places the dependency mainly on the Council to sustain its activity, drawing on its own skills and uncertain funding, and it does not enable the attraction of funding from the other Somerset authorities to market the Borough.
 3. To commit to the Into Somerset partnership for a further three years, making either the contribution requested above or at a lower level.
 4. To sign up to Into Somerset, but on a year by year basis. This option would enable the Council to take better account of the changing budgetary situation, and the role and priorities of the new Local Enterprise Partnership. It would also enable Officers to discuss with local businesses the opportunities they perceive to best market the Borough.
- 6.5 Should the Committee opt to support Into Somerset, under either Options 3 or 4, Officers will input fully to the partnership to ensure, firstly, that the Borough obtains sufficient profile amongst its Somerset rivals in attracting investors, and secondly, that better arrangements are put in place to performance manage the contract, including ensuring that regular updates are given to Taunton Deane Officers and Members.

6.6 Whichever option Members select it is important that the Council sustains an investor friendly business environment, fulfilling the enquiries received and reinforcing at all levels and throughout the organisation the messages referred to in paragraph 6.3 above.

7. Finance Comments

7.1 Paragraph 5.3 above refers to the level of contribution requested from the Council towards Into Somerset. Should Members decide to support the request, either at that level or at a reduced level, the contribution would be met from within the Economic Development budget.

8. Legal Comments

8.1 There are no direct legal implications arising from this report.

9. Links to Corporate Aims

9.1 This proposal links to the Regeneration Aim of the Corporate Strategy.

10. Environmental and Community Safety Implications

10.1 There are no direct Environmental and Community Safety implications of this report at this stage.

11. Equalities Impact

11.1 There are no equalities implications at this stage.

12. Risk Management

12.1 A reduction in the level of contribution towards the Into Somerset partnership will result in a reduced capacity for that organization to market the County to investors, which will have a negative impact on the Council's ability to fulfil the aims of its Corporate Strategy and Economic Development Strategy.

13. Partnership Implications

13.1 The Into Somerset partnership represents a useful vehicle to coordinate the increasingly limited resources of the six local authorities in Somerset. Since 2008 the partnership has levered in investment from amongst businesses, and has demonstrated that two sectors can work together to deliver economic development aims.

13.2 Should Members decide to not make any contribution the Council would be obliged to withdraw from the partnership, thereby damaging those relations.

14. Recommendations

14.1 That the Executive supports the Into Somerset Partnership for a further one year period.

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