

## CITY OF PLYMOUTH

**Subject:** Plymouth City Development Company (PCDC)  
**Committee:** Cabinet  
**Date:** 16th August 2010  
**Cabinet Member:** Councillor T Fry  
**CMT Member:** Director for Development & Regeneration  
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**Part:** 1

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### Executive Summary:

City Development Companies were proposed by central government as a vehicle to support and deliver economic development in a given place. For Plymouth its purpose was to work with partners on the delivery of the economic development and regeneration agenda for the city. The Plymouth City Development Company (PCDC) was established in 2007 and a Chief Executive and small executive team put in place in 2008.

The purpose of this report is for the Council to note the decision of the PCDC Board of Directors to close down PCDC and that the Council will now look at what consequences, if any, there are for the delivery of economic growth for the city as a result of the company's eventual winding up. In consideration of any future options, the emerging changes in relation to the delivery of economic development i.e. the run-down of the Regional Development Agencies (RDAs) and the emergence of Local Enterprise Partnerships (LEPs) need to be taken into account. Future options will be subject to a future report.

The PCDC has benefited from core funding from three public sector funding partners; Homes and Communities Agency (HCA), Regional Development Agency (RDA) and Plymouth City Council on an annual basis since its establishment. There has been no core funding support provided from the private sector.

As a result of the government cuts to public funding, the HCA and RDA have made it clear that they will no longer be in a position to support PCDC with core funding after the current financial year

The contribution from the Council was £250,000 per annum for the first two years and £350,000 for the current financial year 2010/11, with longer term support also at risk due to budget cuts. The core running costs which currently requires £350,000 from each partner p.a will no longer be met due to the withdrawal of funding from other parties.

It should be noted that CDC's and Urban Regeneration Companies (URC) in other parts of the country, including Sheffield and Hull, have been wound up due to similar funding pressures.

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**Corporate Plan 2010-2013:**

This report is fundamentally linked to delivering Plymouth's vision to be one of Europe's finest, most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone.

Corporate Improvement Priority: CIP12 Delivering Sustainable Growth

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**Implications for Medium Term Financial Plan and Resource Implications:  
Including finance, human, IT and land**

The current level of support to PCDC is £350,000 per annum. It is anticipated that the closure of the company will deliver revenue savings to the Department of a minimum of £150,000 from the financial year 2011/2012 onwards. The precise sum will be dependent upon future service requirements and the chosen delivery model.

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**Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.**

N/A

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**Recommendations & Reasons for recommended action:**

This paper is for Cabinet members to note the decision to wind up PCDC and to note any implications for the Council following this decision.

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**Alternative options considered and reasons for recommended action:**

N/a

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**Background papers:**

Plymouth City Council Corporate plan 2010 - 2013

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**Sign off:**

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|--|--------------------------|-----|-----------|----|-----|--------------|-----|----|-----|---------------|-----|
| Fin  | Dev<br>F10<br>110<br>014 | Leg | 938<br>3. | HR | N/A | Corp<br>Prop | N/A | IT | N/A | Strat<br>Proc | N/A |
| Originating SMT Member A Payne Director for Development & Regeneration |                          |     |           |    |     |              |     |    |     |               |     |

# **Implications for Plymouth City Council following the winding up of Plymouth City Development Company (PCDC)**

## **1. Introduction**

This paper provides some background on the Plymouth City Development Company and the implications for the Council following the Board of Directors decision to wind up the company.

## **2. Background**

City Development Companies were proposed by the previous government as a vehicle to support and deliver economic development in a given place. Their origins can be found within the Urban Regeneration Company (URC) model which was established in the late 1990s. Unlike the Plymouth model, many of the current CDCs started life as a URC.

CDCs were seen as a natural progression from URCs, whereby they could expand the limited geographic nature of their constraints in relation to physical regeneration and add elements of work in support of wider economic development in areas such as sector support, strategic marketing and investment. Both types of vehicles are structured to be run as publicly funded bodies with private sector led boards with public sector membership and with a structure that encourages and seeks private sector sponsorship/financial support.

The prime purpose of the PCDC has been to work with partners on the delivery of the economic development and regeneration agenda for the city of Plymouth.

Its four main areas of focus are strategic marketing, inward investment, physical regeneration and support for enterprise and innovation.

The URC model and the CDC model were developed to address and take advantage of a number of issues, which can be summarised as:

- To provide an arms-length vehicle from local government and other public agencies to enhance local capacity and in some places replace missing capacity in regeneration and economic development i.e. to fill the vacuum or lack of expertise within local government to address these agendas.
- To lever in and join together core match funding of the local authority, the RDA and the HCA to get value and enhanced financial contribution for the regeneration of a given place.
- To provide a structure that could draw in and benefit from programme and project funding of the funding partners and develop joined up solutions.
- To lever in private sector contributions providing an interface with the sector with regards to the running of a co-ordinated and joined-up regeneration vehicle.

However it should be noted that, since 2007, the Development & Regeneration department of the Council has been restructured and has more capacity than it once had. The benefit of leverage and added benefit of core funding from across a number of partners ie PCC/HCA/RDA is no longer achievable, and in fact has not been successful in delivering direct private sector funding to date, nor is expected to do so in the present financial climate.

### **3. Future options**

The key challenge for the city moving forward is the delivery of the objectives set out in the Local Economic Strategy and the creation of over 40000 jobs by 2021. Whilst the desire to use the PCDC when initially set up to drive forward physical regeneration was well placed at the time, a combination of factors now mean that this is less important than other areas of its work. If new jobs are to be created and if investment is to be made into the city, the priority moving forward needs to be re-focused.

Alternative models for the future which might be considered could well be;

a) The creation of a new arms length company, based upon a similar model to that of the City Centre Company. This arms length company would be linked to the Economic Development Service but report to a private sector led Board of Directors.

b) To consider if the activities could be incorporated within and become part of the Destination Management Company for Plymouth.

However any proposals for the future must also take into account the Coalition's announcement that RDAs will be abolished and new arrangements in Local Enterprise Partnerships (LEPs) will be created. It is expected that LEPs will be established by April 2012. The Councils approach will need to be developed to reflect and fit in with the emerging LEP structures once there is greater clarity with regards to their development, re-focusing towards inward investment and city market activity building on the new brand of Positively Plymouth.

The key immediate challenge is to ensure that the momentum associated with the discharging of key strategic tasks is not lost. These are primarily marketing and intellectual property, Digital Plymouth and strategic inward investment. Officers will now be planning for the eventual winding up of PCDC and establishing the way forward, including those listed above, recognising the emerging changes in the overall geography associated with the delivery of economic development.

### **4. Funding Implications**

PCC has set aside £350,000 per annum of revenue support for PCDC. The closure of the company will reduce this significantly and is expected to deliver minimum revenue saving in the region of £150,000 per year, to be determined once the impact, interim arrangements, and future options are known.

It is proposed that PCC will provide 6 months core funding for the current financial year to maintain support for the immediate period. Spend for all PCDC activity other than core running/staff costs will be frozen, with the exception of marketing work and support for Positively Plymouth.