



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

# Companies Committee

22 September 2020

**Report of:** Councillor Barry Dobson

The Deputy Leader of the Council



## Update on InvestSK

This paper provides Companies Committee with an update on the recent restructuring of InvestSK and seeks input on the proposed future direction for the Council's Economic Development Company.

### Report Author

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Corporate Priority:	Decision type:	Wards:
<b>Growth</b>	<b>Administrative</b>	<b>All Wards</b>

<b>Reviewed by:</b>	Shahin Ismail, Director of Law and Governance	11 September 2020
<b>Approved by:</b>	Karen Bradford, Chief Executive	12 September 2020
<b>Signed off by:</b>	Councillor Barry Dobson, The Deputy Leader of the Council	15 September 2020

### Recommendation (s) to the decision maker (s)

1. **Notes the contents of this update report**
2. **Provides comments on the draft Business Plan for InvestSK attached as Appendix 1 to this report,**
3. **Delegates authority to the Director of Growth in consultation with the Chair of Companies Committee and the interim Director of Finance to approve any minor amendments to the final Business Plan for InvestSK.**

# 1 The Background to the Report – Company Aims and Objectives

- 1.1 InvestSK is the Council’s Economic Development and Regeneration Company. It was initially set-up as an in-house economic development function in October 2017. The set-up at this time included officers of the Council being supported by Opportunity Peterborough who were commissioned to provide economic development and business-to-business expertise.
- 1.2 Following a decision by Cabinet in May 2018, InvestSK was incorporated as a Private Company Limited by Guarantee (PCLG) on 13<sup>th</sup> June 2018. The rationale for setting up a separate legal entity is set out in paragraph 6.5.2 of the May 2018 report to Cabinet; building on “the credibility of InvestSK as a brand within the business sector and providing freedom to make decisions, at pace, in-line with the expectations of the business community”. At this time, InvestSK both directly employed staff and utilised secondments from the Council to formulate the team. The budget allocated by SKDC for the first full year of operations for InvestSK was £800,000.
- 1.3 The Company’s Purpose, as set out in the Memorandum of Understanding (MOU), when the Company was incorporated, was to:
- “...deliver initiatives which drive significant growth in the economy of South Kesteven as well as progressing an important programme of associated delivery such as enhancing the district’s town centres, developing the skills required for businesses to flourish, making the most of South Kesteven’s visitor economy and celebrating arts and heritage”
- 1.4 The MOU stated that this would be accomplished by undertaking the following activities:
- Engaging with businesses to maximise growth and inward investment
  - Leading on a collaborative approach to skills development
  - Marketing InvestSK to existing and new businesses
  - Developing a strategy to promote the district’s visitor attractions
  - Exploring and optimising access to external funding opportunities
  - Establishing a heritage regeneration programme across the district
  - Leading on arts and cultural growth initiatives
  - Leading on the enhancement of the district’s market towns
  - Leading on an implementation plan for Grantham and masterplans for the towns
- 1.5 The Company reported its first full year of performance to the Companies Committee on 19<sup>th</sup> November 2019. The report from InvestSK noted the following benefits of iSK operating as a private company:
- Engaging with a company was considered to provide quicker, easier access for businesses
  - Businesses felt that they were dealing with a peer
  - A culture of productivity that enabled an outcome-focused approach
  - An external focus with confined areas of responsibility
  - Distinctive brand identity recognised by a lot of organisations

- Costs of providing the service were considered to be lower than the same service provided by the Council because the pension liability was less and the company could negotiate on salaries for individual staff
- The ability to learn and adapt

1.6 The Companies Committee discussed the following in relation to the structure of InvestSK and its standing as a private company:

- Members queried the case for not providing InvestSK's activities through the Council and reference was made to the consideration – at that time – to bringing some of the services in-house
- Members drew comparison with other companies that provided a similar service including Opportunity Peterborough and Invest Gainsborough. Members asserted that such companies had found ways to become self-sufficient and generate income independent of public sector funding
- Clarification was requested regarding the breakdown of newly created jobs
- Questions were asked regarding the core funding for InvestSK and whether the services provided through it had previously been provided by the Council
- Questions were asked regarding the chosen company structure with a view to increasing the visibility of the company's funding from the Council
- The Committee asked where the direction of the company came from; the Chief Executive, or the directors
- Members requested full sight of the InvestSK accounts and queried whether they would contain the same level of transparency as the Council's accounts
- Members challenged which outcomes would still have been achieved had InvestSK not been created. Members also asked for greater clarity around the outcomes that had already been achieved and those that would be delivered in the future.
- Strong connections with the local business community had led to an increase in the number of businesses that were exploring apprenticeships

1.7 At the same meeting (19<sup>th</sup> November 2019), InvestSK presented its proposed business plan and Companies Committee noted that:

- For a strategic plan, the document was very long
- The information on workstreams was useful
- An enhanced service could be developed to create income streams back into the Council, this would supplement the business rates growth facilitated by InvestSK
- The business plan should aim to reflect a self-funded model
- The objectives in the business plan were very broad and the deliverables needed to be SMART and that ambitions needed to be ambitious
- Some concerns were expressed regarding 'mission creep'
- Members felt that InvestSK needed to develop a communication strategy which would encourage the cascade of information to their electorate. One of the Directors stated that they had raised this matter with InvestSK's Chief Executive, highlighting the perception that the company was a secret organisation that sat outside the Council but was funded by taxpayers.

## **2 Changes to Scope and Focus**

- 2.1 In 2019 the Council had expanded the scope of InvestSK to include Arts and Culture, Visitor Economy, Markets and Town Centres, Sports and Leisure and Community. To support this increase in activity the budget increased to £1.368m and the management structure of the organisation expanded to accommodate the new activities (including, in June 2019, the appointment of an Assistant Chief Executive whose focus was on Regeneration and the Visitor Economy). Whilst additional funding was provided to InvestSK to carry out these new activities, in some cases the Council continued to provide complementary services.
- 2.2 Following the appointment of a new Leader of the Council in September 2019, the priority set out by the Leader of the Council continued to be a focus on the growth of the economy, but also a greater emphasis on:
- Transparency of processes and clear political accountability in decision making
  - Value for money and removing duplication
  - Alignment between SKDC and its subsidiary organisations
- 2.3 The functions of InvestSK were reviewed in parallel with the Council's budget-setting process of 2019/20. The review proposed that there were a number of areas (including Arts and Culture, markets, town centres and leisure) where activity would more efficiently sit within the Council and that from April 2020 InvestSK would have a greater impact if its focus was on its core remit of Economic Development, Visitor Economy and Inward Investment.
- 2.4 A number of functions (and their associated budgets) subsequently transferred back to the Council. This reduced the budget allocation to InvestSK to circa £500k from April 2020. It also enabled £250k to be returned to the Council as a saving during 2019/20.

## **3 Response to Covid-19**

- 3.1 The Coronavirus pandemic hit the UK in mid-March 2020 and the Council called upon its companies to assist in different ways to support the Covid-19 response. The Council's stated focus was:
- To protect the health of staff, members, and residents
  - To maintain critical services, and
  - To support local businesses.
- 3.2 To enable the Council to support local businesses, InvestSK's activities were focussed on providing clear, consistent, tailored and timely advice to business and efficiently managing the Government support schemes. This included the joint administration, with SKDC's finance and business rates teams, of the £32m small businesses and retail, hospitality and leisure grants scheme.
- 3.3 Due to the absence of InvestSK's Chief Executive, SKDC's Strategic Director of Growth was re-appointed to the Board of InvestSK with a Managing Director remit. This provided resilience to the InvestSK leadership team and allowed for the seamless co-ordination of activities across the Council and InvestSK.
- 3.4 This new approach, and close coordination of activities, allowed the InvestSK team to work side-by-side with the Council's Finance and Business Rates teams. The sharing of information, ideas and intelligence was critical, and enabled the Council to ensure quick payment of grants to those businesses that most needed it. In fact, more than 900 grants,

totalling in excess of £10m, were paid to eligible businesses within 24 hours of the grant money being received from Government, and SKDC have consistently ranked in the top quartile for distribution of this vital support to businesses.

## **4 Restructure and Realignment of InvestSK**

4.1 As the Council moved into the 'recovery' phase of Covid-19, there were new drivers for changing the model of how the Council worked with local businesses:

- The need for a focus on business recovery and safe-guarding jobs – and therefore a need to revisit the ISK Business Plan;
- Building on the excellent relationships between the Council and local businesses that has been established during the Covid 19 response phase;
- Making costs savings across the Council's activities due to budgetary pressures created by Covid 19.

4.2 The arrangements that were put in place during Covid19, with the Strategic Director of Growth assuming a Managing Director role, proved to be extremely effective and allowed much closer alignment of delivery between the Council and the Company. This had tangible successes.

4.3 Further staffing changes provided opportunities for additional cost-savings for InvestSK and, ultimately, the Council.

4.4 With the above in mind, a proposal to restructure and realign InvestSK was presented to the iSK Board on 29<sup>th</sup> July 2020. The iSK Board approved the proposed restructure which was then reported to the Council's Employment Committee on the afternoon of the 29<sup>th</sup> July 2020, as it impacted on the role of the Strategic Director of Growth.

## **5 Draft Business Plan**

5.1 The draft business plan ('the plan') for InvestSK emanates from the emerging SKDC Corporate Plan, with InvestSK's remit of Economic Development, Inward Investment and the Visitor Economy inextricably linked to the Council's vision 'To be the best place to live, work and visit'.

5.2 A number of the actions from the Corporate Plan are to be delivered by InvestSK directly:

- Regeneration of Grantham town centre, supported by the Future High Street bid and delivery of the Heritage Action Zone programme.
- Identify funding & other opportunities to support the development of the town centres of Bourne, Market Deepings and Stamford, and apply lessons learnt from the Future High Street Fund & other initiatives
- Develop a package of measures to support the recovery of the local economy to safeguard local jobs wherever possible.
- Review the scope and focus of InvestSK to maximise the support to local businesses and attract inward investment.
- Continue to attract investment and encourage diverse businesses to the District and ensure appropriate land and property is available.
- Work with the education providers to increase opportunities for local learning and apprenticeships in the District.

- 5.3 The business plan also reflects the recent efforts of InvestSK in respect of the Covid-19 pandemic and takes into account the Comments of the Companies Committee made on 19<sup>th</sup> November 2019 (see para 1.7 of this report).

## **6 Next Steps**

- 6.1 The draft business plan is attached as Appendix 1 to this update report.
- 6.2 All comments from Companies Committee will be considered and an updated business plan will be presented to the InvestSK board for approval.
- 6.3 Once approved by the InvestSK Board the Business Plan will be presented to a delegation of the Companies Committee for approval (see recommendation 3)

## **7 Financial Implications**

- 7.1 With a reduced management structure and re-focus of InvestSK's activities, an initial estimate of potential full-year savings is in the region of £169,000.

**Financial Implications reviewed by: Richard Wyles, Interim Director of Finance**

## **8 Legal and Governance Implications**

- 8.1 The Committee should ensure that the Business Plan accurately sets out the ambitions and deliverables of the Company

Legal Implications reviewed by: **Shahin Ismail, Director of Law and Governance**

## **9 Equality and Safeguarding Implications**

- 9.1 No issues identified.

## **10 Risk and Mitigation**

- 10.1 No significant risks have been identified. A number of minor risks are discussed within the report; primarily regarding the ability of InvestSK to respond to the needs of the business community.

## **11 Community Safety Implications**

- 11.1 None

## **12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?**

- 12.1 No impact

## **13 Other Implications (where significant)**

- 13.1 None

## **14 Background Papers**

- 14.1 Report to Cabinet on formation of InvestSK, dated 10<sup>th</sup> May 2018:  
<http://moderngov.southkesteven.gov.uk/documents/s20293/Report%20to%20Cabinet%20Formation%20of%20iSK%20100518%20draft%20v3%205%202.pdf>
- 14.2 The decision by Cabinet was scrutinised by the Growth Overview and Scrutiny Committee on the 29<sup>th</sup> May 2018:

<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=631&MID=3604#A121296>

14.3 Report to Companies Committee, dated 19<sup>th</sup> November 2019: (item 4)

<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=669&MId=3850&Ver=4>

## 15 Appendices

15.1 Appendix 1 – Draft Business Plan

<b>Report Timeline:</b>	Date of Publication on Forward Plan (if required)	Not applicable
	Previously Considered by: Companies Committee	Not applicable
	Final Decision date	22 September 2020