



The Role of City Development Companies in English Cities and City-Regions

Summary of Responses to the Consultation Paper published by
Communities and Local Government



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Introduction

1. On 12 December 2006, Communities and Local Government published its consultation paper on city development companies (CDCs). Rather than seek comments on a specific set of proposals, the consultation sought opinions on the rationale and the key principles for CDCs, as well as views on the form, function and location of such bodies.
2. We asked ten questions in the consultation paper:
 - i. What are the advantages and risks in moving towards a more unified approach to economic development at the city or city-regional level?
 - ii. Should Government seek to develop a city development company brand, with formal approval needed for city development company status to be granted?
 - iii. Is a variation on the Urban Regeneration Company model the best approach for city development companies to adopt?
 - iv. Are other existing models suitable for city development companies?
 - v. Do you agree with the suggested 'basic principles' for city development companies as set out in the paper?
 - vi. Will city development companies be more effective when operating at the city-region scale?
 - vii. What are the functions that city development companies could most usefully perform?
 - viii. What role could city development companies play in supporting public-private regeneration vehicles?
 - ix. Do you agree with the suggested 'governance' criteria? Are other forms of ownership appropriate?
 - x. How could city development companies pursue innovative but reliable approaches to meeting running costs whilst avoiding conflicts of interest?
3. The consultation paper was published on the Department's website. Letters publicising the paper were sent to each English local authority and over 100 other stakeholders and interested parties. These included Regional Development Agencies, Regional Assemblies, regeneration practitioners and others. During the consultation period, discussions were held with various consultees on a one-to-one basis and via correspondence.
4. A total of 73 responses were received, via email, letter and a web forum on the Department's website. A number of these were collective responses, representing the

combined views of groups of stakeholders. A breakdown of respondents by category can be seen in Table B on page 14.

5. The aim of the consultation was to involve stakeholders at an early stage in policy development, and we are very grateful for the responses received. This paper attempts to capture the nature of views offered. Inevitably however, it is not possible to capture every point in detail. Owing to the nature of the consultation, the questions posed and the answers received, a simple statistical analysis of the responses is not possible. A number of the questions posed were wide ranging in nature rather than being answerable with a simple 'yes' or 'no'. This summary does, however, reflect the overall levels of support for both the proposal overall and for suggestions made in relation to each of the ten questions.
6. Copies of this report are available from <http://www.communities.gov.uk/index.asp?id=1503216>

Summary

7. There was support for the overall thrust of the paper from the majority of respondents. Consultees were particularly supportive of the non-prescriptive approach that was adopted and the recognition that similar approaches were already being developed in different parts of the country. Many respondents welcomed the aspiration to simplify delivery and facilitate access for the private sector. Respondents also agreed to the need to improve the coordination of different elements of economic development delivery and joint working across functional economic areas. There was also broad support for the roles envisaged for local authorities, Regional Development Agencies (RDAs) and English Partnerships (or in the future, Communities England).
8. A number of contributors argued that a fundamental starting point must be the clear identification of added value in this approach, compared to existing delivery vehicles, suggesting that a CDC could become simply a new layer of bureaucracy unless its purpose was clearly identified. It was, however, clear that the nature of the CDC could vary according to local circumstances. In some places a CDC could be an extremely focused vehicle concentrating on highly targeted interventions to drive economic growth. In others, the main advantages would be to improve coordination between neighbouring local authorities. In some cases the key driver might be simplification of the entry point for the private sector in relation to a range of economic development activities.
9. Opinion was relatively evenly divided on whether the Government should adopt a formal CDC brand, with associated qualification criteria. Some felt that a Urban Regeneration Company (URC)-type brand would add credibility and give clear messages to the private sector, but the overwhelming majority believed that if qualification criteria were adopted, they should be of a light touch. Many others however felt that a brand would add little additional value: as one respondent put it, “the city is the brand”.
10. There was strong support for learning from current, successful delivery vehicles. Many felt that URCs were a useful starting point, but that different approaches would be suited for different places. Some argued that CDCs needed more in the way of powers and resources (including assets) than URCs, if they were to deliver the agenda envisaged for them.
11. There was widespread support for the logic of adopting a sub-regional or functional economic area approach for CDCs. But many also argued that more emphasis should be placed on the nature of activities rather than the scale. Many respondents argued that CDCs were equally valid vehicles for urban and non-urban sub-regions. A number of contributors felt that although sub-regional working lent itself to inward investment, promotion and strategy, activities such as physical development were better delivered at the local level by more geographically focused bodies.
12. The majority of respondents agreed that core CDC funding would need to come from public sector partners, including local authorities, RDAs and English Partnerships. A number of innovative funding mechanisms were also suggested.

The Government's Position

13. The Government is grateful for the considered views expressed. Progress on CDCs will inform the Treasury led Review of Sub-National Economic Development and Regeneration, which is due to report in advance of the Comprehensive Spending Review 2007.
14. Once the Review has reported we will look to provide further advice explaining our approach to CDCs and how we see their role in coordinating economic development at the city or city region level.

Views on Specific Issues and Questions

Policy Rationale

Question 1

What are the advantages and risks in moving towards a more unified approach to economic development at the city or city-regional level?

- 15.1 Consultees suggested a wide range of advantages and risks in moving towards the approach suggested in the consultation paper. There were, however, some clearly identifiable recurrent themes.

Advantages

- 15.2 Many respondents argued that a principal benefit of CDCs could be to simplify or unify approaches to economic development, by reducing the number of players in the field. Many also highlighted the value of economic development strategy being formulated, coordinated and delivered at the scale at which markets operate. This coordination role could include both coordination between neighbouring local authorities and the coordination and integration of disparate elements of delivery.
- 15.3 Related to these issues, the other principal advantage that the responses highlighted was a simplified and clear entry point for the private sector. Other potential advantages included the ability to secure buy-in from a range of partners, to increase the focus on delivery and to improve efficiency and cost effectiveness.

Risks

- 15.4 The major concern with the proposed approach was that CDCs could become another body operating within what can be a congested field and that they would duplicate the roles of other bodies without adding value. A number of consultees expressed concern that there would be tensions between local authorities attempting to cooperate through a CDC. Some also felt that CDCs risked losing focus by attempting to spread themselves too thinly, both geographically and in terms of the nature of their functions, and that whilst some functions were suited to a city or city-regional scale, others were not. In particular, physical development or regeneration were suggested by many to be activities better delivered at local authority or neighbourhood level.
- 15.5 Some responses argued that more needed to be done to qualify the precise role of CDCs, how accountability arrangements would work and the coordinating role they could play.

Question 2

Should Government seek to develop a city development company brand with formal approval needed for city development company status to be granted?

CDC 'branding'

- 16.1 We asked whether the Government should adopt a CDC brand, with a formal approval for CDC status to be granted by Government. Opinion on this question was relatively evenly divided, though there was for the most part agreement that any qualification criteria should be light touch in nature.
- 16.2 Many of those who believed a Government approved brand would be a good idea suggested that the process could work in a similar fashion to the URC programme. The URC brand was seen to have been successful, to have offered clarity to the private sector and to have facilitated the sharing of best practice.
- 16.3 Others were less sure that a brand was a good idea. Many suggested that there were advantages, but that these could be outweighed if, for example, overly stringent criteria were adopted. There was little support for strong Government controls.
- 16.4 Another significant proportion of respondents were even clearer in their view that a brand should not be adopted. The main reasons cited were that some form of approval process could be cumbersome and time consuming, and that a Government led process was perhaps out of step with the devolutionary approach in the Local Government White Paper published in October 2006.

Question 3

Is a variation on the URC model the best approach for city development companies to adopt?

CDC Models

- 17.1 There was a strong element of support for adopting an approach based on the URC model. Of those who supported this approach, a number made the point that it should not be as simple as having a URC, 'only bigger'. There would need to be some differences, particularly in terms of capacity, but there was support in particular for the 'masterplanning' approach that URCs had adopted. Many argued that these decisions would need to be based on individual circumstances rather than a national template.
- 17.2 Some respondents argued that URCs had more to do to prove themselves as effective vehicles. More needed to be done to understand their effectiveness and the lessons of the reviews of the three original URCs should be taken fully into account.

Question 4

Are other existing models suitable for city development companies?

Other Models

- 18.1 The responses included a variety of suggestions for existing approaches that could be suitable for CDCs. These included different RDA sub-regional partnerships, Community Interest Companies, limited liability partnerships and a variety of public-private partnerships. There was support for learning from international examples, but also clear opinion that different national contexts were important and needed to be understood more fully.

City Development Company Proposals

Question 5

Do you agree with the suggested 'basic principles' for city development companies as set out in this [consultation] paper?

Basic principles

- 19.1 A large proportion of the responses broadly endorsed the 'basic principles' set out in the consultation paper. In particular, there was support from most consultees for the emphasis on the roles of local authorities, RDAs, English Partnerships/Communities England; the focus on evidence based policy; the development of coordinated implementation plans; and a role for CDCs as focal point for private sector engagement.
- 19.2 In addition, several contributors argued that the relationship between CDCs, Local Strategic Partnerships (LSPs) and Local and Multi Area Agreements was potentially crucial and needed to be clarified. Some suggested that the Communities England role also needed to be clearer as well as the distinction between CDCs and RDAs. A number of respondents said that CDCs' focus should not simply be on competitiveness or areas of opportunity, but also on areas of need. Others felt that CDCs' focus should explicitly be on the competitiveness agenda.
- 19.3 Some consultees pointed out the need to ensure CDCs tie into the wider sub-regional agenda and that they should operate at a programme rather than project level.

Question 6

Will city development companies be more effective when operating at the city-region scale?

- 20.1 We asked whether a city-regional approach was the best spatial scale at which CDCs should operate. There was a great deal of commonality between the answers to this question, which can be summarised as follows.
- 20.2 There was widespread support for the logic of adopting an approach based on economic reality, both in terms of city-regions and urban and non urban sub-regions. This was felt to be particularly important in terms of developing strategy and action plans and in delivering functions such as inward investment and tourism promotion.
- 20.3 There was also a clear point of view that notwithstanding the sound rationale for this approach, individual approaches would need to be tailored to individual circumstances, with the determining factor being the nature of objectives to be pursued.
- 20.4 Some also felt that there were risks to adopting a functional economic area approach. This was because it might increase the risk of disagreements between local authorities, while CDCs could end up spreading their investment too widely. Some argued that although a city or sub-regional approach was a logical end-point, it would take time to move to this approach.

Question 7

What are the functions that city development companies could most usefully perform?

CDC functions

- 21.1 We set out a suggested menu of delivery functions to illustrate the variety of roles that we envisage CDCs could play. There was for the most part a broad endorsement of the nature of the functions described. Many however felt that a single CDC would be unlikely to deliver all of the options described and that it would be important to agree functions based on individual circumstances.
- 21.2 In addition to support for the options included in the menu, a number of responses suggested that CDCs should have a key role to play in coordinating delivery around the employment and skills agenda. There were also suggestions that CDCs could help drive environmental improvements. Some consultees felt that CDCs should have a role in challenging the work of local authorities. Others argued that CDCs should be vested with CPO powers, though many felt this should not happen.
- 21.3 A number of responses argued that some of the menu options were not suitable for city-region or functional economic scale. Some respondents argued that, or questioned whether, functions such as physical regeneration or housing market renewal were better delivered at smaller spatial scales. A number of responses also suggested that business support and inward investment, or overseas trade services were better delivered at the regional scale.

Question 8

What role could city development companies play in supporting public-private regeneration vehicles?

Public private partnerships

- 22.1 We asked about the role CDCs could play in supporting public private partnerships, including local asset backed vehicles (LABVs). A number of respondents felt that the CDC itself should be a public-private partnership.
- 22.2 Many others felt that a logical role might be for a CDC to act as sponsor or a facilitator of public-private special purpose vehicles, or could act as managing agent or parent company to such bodies.

Governance & Funding

Question 9

Do you agree with the suggested 'governance criteria?'

Governance

- 23.1 There was broad support for the governance proposals set out in the paper, which were based on the governance criteria for URCs. There were some calls for more explicit guidance on striking the right balance between operational freedom and democratic accountability.
- 23.2 A number of responses suggested that the emphasis on private sector representation on the board was too strong. Some felt that for CDCs operating across local authority boundaries, local authority representation should make up a greater proportion of board members. Others felt that Government should more explicitly require community representation on the board.
- 23.3 As discussed above, a number of consultees argued that a private sector ethos was crucial to the effectiveness of such bodies and that private sector representation on the board was key. Some argued that multi-authority boards would be unwieldy and that boards, particularly of delivery vehicles, should be small and focused. One suggested approach was to have a larger, more public sector orientated 'steering' group to oversee the work of a CDC; with a smaller private sector majority 'operational' board.

Question 10

How could city development companies pursue innovative but reliable approaches to meeting running costs whilst avoiding conflicts of interest?

Funding CDC running costs

- 24.1 The consultation paper asked about innovative approaches to financing CDCs. Many respondents felt that CDC running costs should be primarily publicly funded. However, a number of means of generating private revenue to support running costs were also suggested. In particular, many suggested that CDCs could sell services in the form of consultancy.
- 24.2 Other suggestions included: using revenue generated through LABVs or similar vehicles; adopting a variation on the Business Improvement District model; through land value uplifts; section 106 agreements; and planning gain supplement. It should also be noted that a degree of scepticism was also apparent about the viability of some of these approaches.

Table A

Full List of Contributors

Association of Greater Manchester Authorities & Manchester Enterprises
Birmingham City Council
Bradford City Council
Brighton & Hove City Council
British Chamber of Commerce
Carlisle City Council
Chelmsford Borough Council
Chester City Council
Chief Economic Development Officers' Society
Colchester Borough Council
Commission for Architecture and the Built Environment
Commission for Racial Equality
Core Cities Group
Cornwall County Council
Cumbria Chamber of Commerce
Cumbria County Council
Derby City Council
Devon County Council
Dr Glen Athey
Durham County Council
East Lindsey District Council
East Midlands Development Agency
Elevate East Lancashire
English Partnerships
Essex County Council
Fylde Borough Council
Gateshead Council
Greater Nottingham Partnership
Hastings Borough Council
Haven Gateway Partnership
Kirklees Council
Leeds Chamber of Commerce
Leeds City Region
Leeds Local Strategic Partnership
Leicester City Council
Leicester Regeneration
Leicestershire County Council
Leicestershire Economic Partnership
Liverpool City Council, Liverpool Vision, Liverpool Land Development Company & Business Liverpool
Local Government Association
Manchester City Council

Mansfield District Council
Mersey Travel
Milton Keynes Council
Mr Bill McCallum
Mr Bob Line
Mr David Nelson
Mr Nick Dean
Ms Jayne Ashley
New East Manchester
Newcastle City Council
North West Regional Assembly
Northamptonshire Enterprise Limited
Oxford City Council
Partnership for Urban South Hampshire
Preston City Council
Reading Borough Council & Reading City Centre Management Company
Regional Cities East
Regional Development Agencies (collectively)
Rochdale Metropolitan Borough Council
Rotherham Metropolitan Borough Council
Royal Institute of Chartered Surveyors
Sedgefield Borough Council
Sheffield City Council & Creative Sheffield
Sheffield City Region
South West Regional Assembly
Southend Borough Council
Stoke-on-Trent City Council
The Chartered Institute of Housing
The English Urban Regeneration Companies (collective response)
Town & Country Planning Association
West Midlands Regional Assembly & West Midlands Local Government Association
Wolverhampton City Council

Table B

Contributor Breakdown by Category

Category	Number
Business representatives	3
Community representatives	1
Individuals	6
Local authorities and local authority representative groups	45
Public agencies	8
Practitioners of economic development and representative groups	17