

REVIEW OF COUNCIL OWNED, ARMS LENGTH COMPANIES AND JOINT VENTURES

The City of Edinburgh Council

1 May 2008

1.0 Purpose of report

1.1 This paper sets out proposed terms of reference for a review of City of Edinburgh Council owned, arms-length companies and joint ventures. This follows the recent Quayle Munro review of EDI which made a number of recommendations about opportunities for improving operations of the company and ensuring its objectives become more tightly defined and better aligned to the Council's economic development goals.

2.0 Summary

2.1 The City of Edinburgh Council has a number of arms-length companies and joint ventures vehicles that have been set up over the years to progress identified economic development and physical regeneration objectives. The management of such companies, at arms length from the Council, has certain advantages including:-

- the ability to focus resources on specific geographic areas and strategic objectives;
- speed of decision making;
- greater flexibility to establish commercial relationships with developers and investors; and
- the ability to lever additional funding through innovative management of property and land assets.

2.2 The Council owned companies and joint ventures that would fall within the scope of the proposed review are:-

- CEC Holdings Limited
- The EDI Group Limited (EDI)
- Waterfront Edinburgh Limited (WEL)

- New Edinburgh Limited (NEL)
- PARC Craigmillar Limited (PARC)
- Edinburgh International Conference Centre Limited (EICC)
- Edinburgh City Centre Management Company Limited (ECCMo)
- Shawfair Developments Limited (SDL)

2.3 Given the time that has elapsed since a number of these companies were formed, and changes in market conditions, the review presents a good opportunity to ensure that the Council's companies are continuing to fulfil a purpose that cannot easily be delivered by private sector developers/operators.

2.4 The Companies Strategy Group, set up and chaired by the Chief Executive and attended by the Directors of City Development, Corporate Services and Finance, currently oversees the strategy for all Council Companies. In addition the Companies Team within Economic Development currently provides the link between the Council and its companies, charged with appropriate authority to ensure Council policy and objectives are met. It is, therefore, proposed that the review would be carried out internally by Greg Ward, incoming Head of Economic Development, working to the Director of City Development and overseen by the Companies Strategy Group. Support will be provided by officers from Finance, Corporate Services (Legal) and City Development. It is intended to complete an initial review to identify key issues and opportunities by no later than the end of June 2008 with the full findings, conclusions and recommendations ready for presentation to the Council in October 2008.

3.0 Summary

3.1 The EDI review highlighted a number of issues concerning the alignment of strategy and objectives between the Council and EDI; corporate governance arrangements; operational decision making processes and management style that may have implications for other council owned development companies and joint venture vehicles.

3.2 The companies falling within the scope of the review have been established for a number of years and the review presents the opportunity to take a fresh look at their purpose, strategy, governance and operations to ensure that they are delivering the economic development outcomes the Council wishes to achieve, in a manner that provides sound corporate governance and delivers quality and value for money.

4.0 Proposed Terms of Reference

4.1 The proposed review would have the following terms of reference:

- to consider the purpose of each development company and ensure it remains valid in the light of the Council's current priorities;
- to review the strategic direction of each development company and ensure that resources are sufficient to deliver its objectives;

- in the case of joint venture vehicles, to elicit the views of the Council's joint venture partners about their commitment to the JV and identify any issues that may be relevant to the future of JV relationship;
- to consider the management and administration requirements of each company and identify the scope for improved value for money, e.g. through shared services;
- to consider the Council's stewardship of the companies including the role of elected members and officers as Board members, the role of the City Development Companies Team as monitoring officers, and the efficacy of service level agreements;
- to consider the composition of each Board to look at the best mix of local democratic representation and appropriate business skills, to ensure effective scrutiny and sound corporate governance;
- to consider how the companies can most effectively contribute to the sustainable development of the Edinburgh City Region and especially priority locations such as the City Centre, Waterfront, West Edinburgh and the South East Wedge;
- to review the asset base of each company and determine how assets might - if required - best be unlocked for the benefit of the City's future development; and
- to explore the City Development company models emerging in English cities such as Sheffield and Newcastle, and consider what lessons might be learned for Edinburgh.

5.0 Management Arrangements

- 5.1 The review will be carried out by the Council's incoming Head of Economic Development Greg Ward, under the direction of Dave Anderson, Director of City Development.
- 5.2 The bulk of research will be managed in-house. A consultancy support budget of up to £10,000 will be set aside for any work that might be required on asset valuation.
- 5.3 The Review will involve a combination of desk-based research plus interviews with senior officials, Board members and other Councillors.
- 5.4 It is proposed that it would commence in May, with an interim report produced before the summer recess in June, with a final report ready for Council in October 2008. Progress reports would also be copied to the Chairs of the individual companies.

6.0 Recommendations

- 6.1 To approve the draft terms of reference for this review and to authorise the Director of City Development to manage the review exercise on the terms set out above with a view to reporting the initial findings by June and the conclusions and recommendations to the Council by no later than October 2008.



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Director of City Development

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Appendices

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Wards affected City Wide

**Background
Papers**