

Report to: Asset Management Forum



Date of Meeting 19th June 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release NA

Proposals for a Place and Prosperity Framework for East Devon District Council

Report summary:

The purpose of this report is to provide Members with an update on progress with developing a new Place & Prosperity Framework along with attaching as a draft the current Framework and accompanying documents.

The Framework sets out the mechanism where Place and Prosperity investment proposals can be screened against the borrowing requirements of the Public Works Loan Board in a standardised way with sufficient assessment of the risk. Additionally it sets out a revised governance process for decision making to enable agile but robust decision making. This draft Framework (appendix A) sets out in detail the:

- Legal & Regulatory Powers
- Key Objectives of Place and Prosperity Framework
- Different Types of Investment
- Horizontal Principles – Climate Change
- Informing Investment Criteria Risks and Mitigation
- Required Skillsets
- Assessment of Investment Opportunities - Weighted Scoring Matrices
- Assessment of Investment Opportunities – Process & Governance
- A set of documents which will be used to assess proposals - these are guidance documents and not the Framework itself (please see appendices B-D) *

*The assessment process may be adapted to ensure a specific project is assessed proportionately and appropriately.

In addition to the Framework itself, the Council will need to make available an agreed sum for PWLB borrowing to enable the Framework to deliver investment opportunities in the District. This report addresses the issue of the draft Framework only. The issue of the agreed sum for investment will be the subject of a separate Cabinet report with onward recommendation to Council. The decision in respect of this report does not therefore require recommendation to Council.

This AMF report outlines the Framework itself, but is not to be read as part of the Framework which is contained in Appendix A.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

1. The Forum consider the proposed draft of the Place and Prosperity Framework and make recommendations to Officers on any amendments required.
2. The Forum make recommendation that this draft Framework with any amendments be considered by Overview Committee – ideally next meeting 20th July and delegate to Portfolio Holder for Finance & Assets to make any amendments requested by Overview Committee before coming to Cabinet with onward recommendation of budget to Council.

Reason for recommendation:

To Allow the Framework to move forward for consideration through the democratic process and, subject to agreement, onwards to the implementation phase.

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Risk: Low Risk; With any asset based projects, particularly where development is taking place, there are risks involved. Risk will be the key factor in looking for opportunities as laid out in detail, in the framework.

Climate change Low Impact

Risk: Low Risk; The report sets out clearly the importance of assessing climate change impacts as a horizontal principle.

Links to background information

Please See Appendices A—D

- A. [Draft Place and Prosperity Framework](#)
- B. [Draft Investment Framework Governance](#)
- C. [Draft Scoring Templates](#)
- D. [Draft Economic Appraisal Template Pt1 & 2](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ Better homes and communities for all
 - ☒ A greener East Devon
 - ☒ A resilient economy
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Report in full

1.0 Introduction

- 1.1 On 6th February 2019, Cabinet adopted the Council's Commercial Investment Framework which provided for different forms of property investment - management of existing assets, acquisition for commercial income, acquisition for District wide benefits, direct development (ie commercial) and strategic partnerships / joint ventures. The Council made £20,000,000 available for investment in accordance with that adopted Framework. Ocean in Exmouth was acquired using this Framework and Fund but in 2020, the new administration felt the approach being used should be revised to include the aspirations set out at Section 1.3 below.
- 1.2 The operating environment is now very different and the Council Plan provides a focus on supporting businesses and also providing more social and affordable homes, at least in part to the response to the covid-19 pandemic. More urgently now is the fact that the UK economy shrank between July and September and was predicted to do the same in October to December 2022, this did not in fact happen but the predictions from the IMF are that the UK economy will shrink in 2023.
- 1.3 Back in early 2021 a Special Meeting of Asset Management Forum (AMF) considered the then current investment framework and Officers were asked to take forward the preparation of a new Framework to set out the aspirations shared by Members, namely:
- a) A Framework specifically for Place & Prosperity Investments to support economic recovery. Must cover Public Works Loan Board (PWLB) borrowing costs, and where possible and remaining economically viable, a small risk premium, but not to generate a commercial yield.
 - b) Sitting behind the Framework, a Fund agreed by Council to deliver the Framework – avoiding each investment individual decision needing to go to Council.
 - c) There was still support to utilise in part the methodology of the Commercial Investment Framework but with some key additions, which included involvement of Ward Members and their comments being provided to decision makers. The general approach whereby the Framework underpins how investments will be considered is not to be dissimilar to the earlier Framework.
- 1.4 At an AMF meeting on 27th July 2021 Members were asked:
- 1 What outcomes do these investments need to deliver?
 - 2 What is the priority of these outcomes and therefore the relative weighting?
 - 3 Next steps were also agreed with adoption of Framework by end of 2021.
- 1.5 Subsequently through the AMF, a delay in implementation was supported to reflect the lack of available Officer resource at that time. The project was then progressed during the latter half of 2022 through an Officer Project Group. The Officer Project Group comprised representatives from across the PAC Service along with the Economic Development Manager.
- 1.6 The draft Place and Prosperity Framework has now been written and was presented to

the Senior Management Team on the 8th of March 2023. The Framework now aligns with the Council's ambitions, which include operating in a more economically focussed way, and utilising opportunities for economic stimulus as reflected within the Council Plan 2021-2023.

1.7 The Council Plan's Key priorities are:

- Better homes and communities for all
- A greener East Devon
- A resilient economy that brings prosperity to the district

1.8 The new Place and Prosperity Framework will supersede the previous Commercial Investment Framework and addresses the opportunity to have a single fund of circa £20M investing as a first tranche borrowed from the PWLB.

1.9 This will be used to invest under three broad categories which benefit the district as a whole:

- **Service delivery** (ie front line delivery of Council services),
- **Economic regeneration**
- **Preventative Action**, (Preventative action is a special category, which involves direct financial support to local companies or acquiring assets as a way to protect jobs, prevent social or economic decline. This type of activity is distinct from regeneration, as it is only preserving existing activity as opposed to creating additional activity, but is **not** for 'investment assets bought primarily for yield' as yield is not the primary motive of the activity).

1.10 The benefits of investment by the Council include:

- Investing in social, economic, and environmental projects, which will bring benefits to the District as their primary goal
- Regeneration benefits to District
- Additional Business Rates income
- Employment and prosperity
- Unlocking of sites and opportunities that others might not invest in
- accelerating delivery of sites

1.11 It is envisaged that this fund will be borrowed from the PWLB with all other sources of Government funding having to be considered exhausted as part of the assessment process.

1.12 **Assessment of Investment Opportunities – Process & Governance:**

Investment opportunities often arise unexpectedly and it is important when considering the allocation of resources (internal and external) that the decisions are made objectively, consistently, are informed by the correct advice and fit for purpose. Other Local Authorities who invest for these reasons have taken a similar approach and the proposal set out below is a proven model:

- The Place and Prosperity Assessment Group of Officers led by Assistant Director – Place, Assets & Commercialisation working with external agents, colleagues and Councillors will identify investment opportunities. All property investment opportunities will be channelled via the PAC team (note all referrals must be recorded so that introductions and commission fees can be correctly paid).
- Any investment opportunity if considered feasible is considered alongside the criteria in this Framework, and if consistent, it is then scored against the relevant

Scoring Matrix (see Appendix C).

- If the investment opportunity fails to deliver the necessary score and / or indicative return then it is dismissed but a record of it must be kept and reported to AMF as part of the normal reporting cycle.
- If the investment opportunity achieves the necessary score and indicative return then it progresses to a dedicated Place and Prosperity Investment Assessment Group of Officers (with support of consultants if necessary), these being existing staff with the right skillset and aptitude to think commercially. This Investment Assessment Group is to comprise:
 - Director – Finance
 - Director – Governance and Licensing
 - Assistant Director – Place, Assets & Commercialisation
 - Other Officers on a case-by-case basis
- A Full Appraisal (the method chosen should be proportionate to the costs and complexity involved) is prepared to enable a final recommendation on whether to invest following consideration by the Place and Prosperity Investment Assessment Board.
- The decision to invest is delegated to the Investment Board comprising; The Director of Finance (up to £5,000,000 per transaction) in agreement with the Leader, Portfolio Holder for Finance and Assets (Place and Prosperity Investment Assessment Board). Consultation should also be made with appropriate Ward Members.
- If an investment opportunity exceeds this £5,000,000 limit then the Council's normal decision making route will apply.
- In making a decision, the Board should be fully agreed or is not agreed. If a decision is not unanimous then it cannot proceed.

1.13 The draft Framework itself is attached as appendix A with supporting documents in appendices B-D.

Financial implications:

The financial details are outlined in the report. The financial cost of borrowing is intended to be covered by the related scheme which will come with associated risks, these are considered in applying the proposed framework. The scheme objectives it is considered will meet current PWLB lending conditions but these do alter as Government control local authority borrowing and the position will be monitored.

Legal implications:

It is within the Council's power to invest in property in accordance with statutory and governance frameworks. Each transaction would need to be evaluated in accordance with the framework prior

to legal due diligence taking place, including having regard to Subsidy Control (formerly State Aid). Legal Services have not had input into the governance arrangements set out at this time and will assist as necessary to agree these in due course.