Place and Prosperity Investment Framework

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1.0 Introduction

1.1 The key purpose of this framework is to provide a mechanism where 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.

1.2 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 then made £20,000,000 available for investment in accordance with that adopted Framework. Ocean 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.

Link to AMF Report Download

1.3 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 but 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 didn't in fact happen but the predictions from the IMF are that the UK economy will shrink in 2023.

1.4 Back in early 2021 a Special Meeting of 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 individual investment 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 was not to be dissimilar to the earlier Framework.

1.5 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.

1.6 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. A draft is now attached which has been supported by Asset Management Forum subject to some minor amendments – specifically:

   That the Place and Prosperity Framework be updated to include the Portfolio Holder for Economy on the Investment Board, make more explicit that it includes consultation with relevant Portfolio Holders at the Full Appraisal stage but also with other Portfolio Holders as deemed necessary;

2.0 The Place and Prosperity Framework

2.1 The Council's Financial Strategy recognises that East Devon District Council (EDDC), like all in local government, has experienced huge reductions in funding from Government in the past decade.

2.2 East Devon District Council's (EDDC) ambitions include operating in a more economically focussed way, and utilising opportunities for economic stimulus. This is reflected within the Council Plan 2021-2023.

2.1 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

2.5 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.

2.6 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** an 'investment assets bought primarily for yield' as yield is not the primary motive of the activity).

2.4 At this stage it is important to point out that the Housing Taskforce manage the delivery of new homes in the District and this sits within the Housing Revenue Account (HRA). As a result, the framework will sit within the General Fund and won't be used to bring forward HRA development.

2.5 The PWLB's lending terms do not prevent local authorities from making a significant investment to improve and/or change the use of an asset that is not owned by the local authority where it serves a direct policy purpose. Local authorities may also deliver policy objectives through a third party (such as a housing authority, joint vehicle or joint venture with a private sector investor, local authority-owned company etc.). If a local authority wishes to deliver policy objectives jointly (such as through an equity investment in a joint company) or to on-lend money to a third- party to deliver objectives in an innovative way, the government would expect that spending to be reported in the most appropriate category (service delivery, housing, economic regeneration, preventative action, or treasury management) based on the eventual use of the money.

2.6 The Activities that can be supported through PWLB Loans is:-
Service delivery: This is expenditure on assets that form part of the authority's public service delivery eg climate change costs frequently only includes capital costs associated with waste reduction schemes, but many local authorities have wider expenditure to meet climate change related policy objectives (such as renewable energy developments) which would also be categorised as service delivery. It should be noted that an asset that is held primarily to generate an income, which is used to support wider service spending, but serves no direct policy purpose, should not be categorised as service delivery.

2.7 **Regeneration:** This involves direct investments in assets to generate additional social or economic benefits. Regeneration projects would usually have one or more of the following characteristics:

- The project is addressing an economic or social **market failure** by providing services, facilities, or other amenities that are of value to local people and would not otherwise be provided by the private sector
- The local authority is making a significant **investment** in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment
- The project involves or generates significant **additional** activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value while some parts of a regeneration project may generate rental income, these rents should be **recycled within the project or applied to related regeneration projects**, rather than being applied to wider services.

2.8 **Preventative action:** This is a special category, which involves direct financial support to local companies, or acquiring assets as a way to protect jobs and prevent social or economic decline. This type of activity is distinct from regeneration, as it is only maintaining existing activity as opposed to creating additional activity, but is not an 'investment assets bought primarily for yield' as yield is not the primary motive of the activity.

This type of action would have all of the following characteristics:

- The intervention **prevents a negative outcome**, such as by buying and conserving assets of community value that would otherwise fall into disrepair, or providing support to maintain economic activity that would otherwise cease
- There is **no realistic prospect of support** from a source other than the local authority
- The local authority has an **exit strategy**, and does not propose to hold the investment for longer than is necessary to achieve the objectives that justified the intervention
- The intervention takes the form of grants, loans, sale and leaseback, equity injections, or other forms of business support that generate a **balance sheet asset**. This category is distinct from routine repairs, maintenance and planned preventative activities

2.9 Treasury management and Housing are also included as supported activities but are out with the scope of this framework.

2.10 Defined Activity that <u>cannot</u> be supported by PWLB are as follows:-

Investment assets bought primarily for yield that would usually have one or more of the following characteristics:

- buying land or existing buildings to let out at **market rate**
- buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any **additional investment or modification**
- buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly buying a **speculative investment asset** (including both financial and non-financial assets) that generates yield **without a direct policy purpose**

2.11 It is envisaged that, with a £20M loan from PWLB, the Place and Prosperity Framework could expect to deliver a number of key social, economic and environmental benefits eg

- Hayne Lane employment land delivery – site part owned by Council
- Business workshop units in Seaton and Axminster– on sites already owned by Council
- Serviced office provision to private businesses / public sector bodies
- Placemaking Projects for key Towns
- EV charging points – on Council land
- Cranbrook Town Centre
- Delivery of zero carbon development
- And other non-housing projects.

NB A minimum net return needs to be achieved to comply with the Prudential Code – ie we need to be able to meet our debt obligation on borrowing and it is suggested that a minimum 1.5% net (after interest and MRP (minimum revenue position) return should be achievable therefore generating at least £600k net (if £20m were to be invested), surplus per annum.

Note, the council should be clear how any surplus income would be spent and ensure it is not being directed towards general service spending otherwise it would be in breach of the PWLB lending terms.

2.12 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*

2.13 East Devon has numerous sites approved within the Local Plan that can deliver significant revenues to the council from Business Rates but are complex, slow to come forward or have stalled ie market failure. The Place and Prosperity Framework can over time contribute towards unlocking of those opportunities. This benefit (with * above) are unlikely to materialise from early investment.

2.14 It is anticipated that direct investment intervention by the Council can also unlock and/or accelerate development by third parties at the same time as:

- Generating a good level of rental return
- Enabling the Council to benefit from 'marriage value' where perhaps the Council already has an interest in land.
- Enable increases in Business Rates income to the Council.

This is a key benefit of direct investment but is a medium term objective due to longer lead-in time but demonstrates how targeted investment can not only deliver an impact on the economy but also an uplift in capital values on other assets.

Note, the council should be clear how any surplus income would be spent and ensure it is not being directed towards general service spending.

2.15 This aligns with the Council's objectives in Regeneration, Enterprise Zone delivery and the employment priorities of HOSW LEP, and Local Plans. The Place and Prosperity Framework is a practical means by which the Council will have a direct role in delivery of wider strategic and policy ambitions.
Note as the role of the LEP continues to evolve the Council will seek alignment with the emerging priorities.

2.16 The shorter-term objective needs to be realised by investment in assets, which contribute to other Council service delivery objectives around growth, placemaking, sustainable communities, economic development and regeneration. This future pipeline is envisaged would require further financial commitment.

2.17 Investments can be financed through Public Works Loan Board (PWLB), capital receipts or internal borrowing. The Council's current favoured route is generally through PWLB.

2.18 Investment opportunities often arise unexpectedly and it is important when considering the allocation of resources (internal and external) that the decisions made are made objectively, consistently and are informed by the correct advice and fit for purpose. The Council should also be able to move diligently when a compelling opportunity arises and to do this through a dedicated Investment Assessment Group of Officers and Councillors with the necessary delegated authority in place to progress acquisitions which meet the objectives agreed by the Council.

3.0 Legal & Regulatory Powers

3.1 The Council has a range of legal powers that can be relied on to invest in other types of property, and to borrow in order to do so. Whilst it is clear that the Council has such powers, their application should be considered as part of the decision-making process when specific investment opportunities arise.

3.2 The Council has the power to acquire through s.120 of the Local Government Act1972 and to invest through s.12 of the Local Government Act 2003.

3.3 The Council has statutory powers to invest for:

a) any purpose relevant to its functions; or

b) the purposes of the prudent management of its financial affairs.

3.4 This power does not place a geographic limit on where the investment activity can take place; together with the associated power to acquire property under section 120, Local Government Act 1972, there is clear authority for purchasing land within and outside of the Council's area.

3.5 Potential investments would need to be considered in light of:

a) The Statutory Guidance on Local Government Investments (3rd Edition), which came into force from 1st April 2018

b) The Prudential Code

c) The Treasury Management Code

3.6 The use of the above powers should be considered in conjunction with the framework for borrowing as the Council may borrow from the Public Works Loan Board to fund acquisitions. As a local authority, it has a clear power to borrow for "any purpose relevant to its functions or for the purpose of the prudent management of its financial affairs".

3.7 The Council cannot apply for new public loans from PWLB where it is seeking to make commercial property investments primarily for yield, including via a Council owned company or joint venture.

3.8 The Place and Prosperity Framework should be the 'fund of last resort' ie if Govt grant or other funding exists elsewhere then that opportunity should be evidenced as exhausted before Investment Funds are considered eg Levelling Up, SALIX etc.

4.0 Key Objectives of Place and Prosperity Framework

4.1 The Council's Place and Prosperity Framework objectives are defined as follows:

- Investing in and optimising the effectiveness of the existing council asset and new development investment to assist economic recovery
- Investing in Climate mitigation and adaptation
- Promoting new opportunities for local economic growth and wealth creation.
- Applying a clear, costed, risk managed and structured programme of investment using rigorous criteria and with appropriate decision-making capabilities to respond to market opportunities by making decisions made objectively, consistently and that are informed by the correct advice and fit for purpose
- The Place and Prosperity Framework should be the 'fund of last resort' ie if Govt grant or other funding exists elsewhere then that opportunity should be evidenced as exhausted before Investment Funds are considered eg Levelling Up, SALIX etc.

Investments have been grouped into four broad categories as set out below:-

A	B	C	D
PWLB Loans Eligible Criteria: • **Service Delivery** • **Economic Regeneration** • **Preventative Action**			
Delivered Via			
Management of Existing Assets	Acquisition for District wide benefits	Direct Development of commercial prospects	Strategic Partnerships and Joint Ventures
Maximize use of and value of Council owned assets (land & buildings) linked to the Council's forthcoming Asset Management Strategy – Capital expenditure	Investments for regeneration purposes in order to deliver a wider social,service, environment, or community benefit – Capital expenditure	Rather than being an enabler the Council can take on development directly.	Examples could include Sub-division of larger premises vacant for some time. Conversion of offices into collaborative work hubs.

4.2 The investment criteria and risk / reward profiles are different for each category particularly where local social / economic benefits can be reflected alongside commercial considerations. As such, there is a different scoring matrix prepared for each of the above, excluding Management of Existing Assets.

5.0 Different Types of Investment

5.1 Category A - Management of Existing Assets

The Council already owns a property portfolio (land and buildings) comprising operational and non-operational assets. Assets, which are determined as surplus to operational requirements via the emerging Asset Management Strategy, will be considered for investment purposes. The resource to undertake effective management of our property assets already exists in-house, and investment in our own assets is a continuation and extension of work already underway.

Non-operational Sites – there are currently a number of sites that are in progress eg the review of Council Depots, with anticipated receipts expected from their potential disposal/redevelopment.

Operational Sites – closely linked to the emerging Asset Management Strategy, the Council has the potential to make further changes to how staff work in and use buildings in order to rationalise space and better match customer requirements. Using operational space more efficiently, including opportunities to share office accommodation with partner organisations, has the ability to both reduce/share running costs and generate income from the commercial market.

With access to borrowing, under the Place and Prosperity Framework, there is potential across the estate to further optimise the use of our assets and invest in them to maximise capital values and/or rental yields.

Maximising the use of and value of Council owned assets to increase revenue return through appropriate change of use, is a key priority and it is anticipated that this will be the focus of the Place and Prosperity Framework over the short term. Where for commercial reasons it is considered more appropriate to sell Council owned assets, it is anticipated that these capital receipts will be reinvested in property assets - this will be managed by the emerging Asset Management Plan.

5.2 Category B - Acquisition for District Wide Benefits

This type of property investment reflects the investment in property primarily for regeneration purposes in order to deliver a wider social, service, or community benefit. They may include:

- Strategic regeneration / placemaking opportunities that provide benefits to the wider community including buildings for charitable or community uses;
- Delivery of projects that otherwise might stall or not progress if left in private sector hands but will fulfil Council objectives;

- Non-financial gains where inward investment can create/maintain jobs or prevent local market failure;
- Purchase of underperforming property assets which provide key strategic regeneration opportunities to generate the catalyst for future economic development;
- Partnering with others to deliver broader benefits and unlock financial investments for the area that would otherwise be lost.
- It is envisaged that this is for investment solely within EDDC boundaries in a different portfolio of assets with the objective of providing a net income but also providing other District benefits e.g. micro and small business growth with local and rural economy benefit, regeneration, New Homes Bonus and Business Rates. In this instance, there are different objectives and therefore assessment criteria comprising factors wider than just income versus risk. The Council's approach to regeneration, economic growth and general prosperity is addressed through a wide range of strategies outside the scope of this Place and Prosperity Framework but it is seen that delivery of this Framework will have socio-economic benefits that aid local regeneration objectives. As such lower rates of return can be accepted.

5.3 <u>Category C - Direct Development of Commercial Prospects</u>

Local Authorities have historically played an enabling role in promoting local commercial development but there is no reason why local authorities should not undertake direct development themselves. Risks do tend to be higher but potential rewards also greater. Development could embrace commercial prospects.

This is a more risky form of investment so should be considered only on manageable size development projects where there is also confidence in market demand (eg use of agreement for lease and pre-lets).

5.4 <u>Category D - Strategic Partnerships and Joint Ventures</u>

These can be formed where the Council has a strategic asset / or acquires such an asset and rather than release this to the open market, can realise better control and encourage better quality development by taking a longer-term interest through working in partnership with the private sector.

The decision on whether to enter into a joint venture type approach, as opposed to direct sale or direct development will depend on the following:

- Scale of land holding and value for money implications (i.e. early sale v phased release)
- Complexity of development and / or infrastructure investment needed
- If 3rd party land required
- Specialist nature of development
- Market confidence

- Specialist Professional Advice
- Strategic policy objectives

6.0 Horizontal Principles – Climate Change

As part of East Devon's delivery on climate change we committed to the **Devon Climate Change Declaration** in July 2019; as part of local government our contribution was to develop our climate change strategy and an action plan of activity with the identified themes set out below.

The themes in the Action Plan identify where the Council can make meaningful climate change interventions and include:

- Energy supply and consumption
- Permitting and encouraging low carbon development
- Improving the carbon footprint of existing buildings (public and private sector)
- Protecting and enhancing the natural environment
- Water supply and flood protection
- Transport and travel
- Purchasing and consumption
- Community resilience
- Education, communication and influencing behaviour

Applications that are assessed using this framework, if successful, will have to, where possible (at this early stage), evidence how they will contribute to achieving these targets either by mitigation or adaptation measures* which should be taken forward to the project plan as part of its KPI's. If the information is not available at the point of application (ie the framework assessment), then undertakings should be included in the project's detailed design and operation as a horizontal principle and reported on.

(*Mitigation is concerned with interventions designed to reduce emission sources and any carbon offsetting activity, whereas the adaptation section is concerned with an adjustment we make in response to climate change i.e. raising sea defences and supporting community resilience).

7.0 Informing Investment Criteria

7.1 Reflecting the different aims and objectives for each type of investment, a matrix approach (Appendix A) has been developed to determine what is / what is not generally acceptable in terms of anticipated risk/ reward. Also, in shaping the Place and Prosperity Framework, consideration must also be given to achieving a balanced portfolio of different investments, reflecting the Treasury Management Code which prioritises, in order of importance:

- Security – protecting the capital sums invested from loss
- Liquidity – ensuring the funds invested are available when needed i.e. asset could be disposed
- Yield – an acceptable rate of return to cover the borrowing costs

7.2 The portfolio will take time to grow and ensure the longer-term ideal split of asset types is achieved.

7.3 The Council must be very mindful of which market sectors it chooses to invest in as different market sectors carry different risk profiles, discussed in section 6 of this Framework, but also offer different wider benefits and levels of return. In considering different market sectors, for the Place and Prosperity Framework, this will include the socio-economic benefits and level of added value and the multiplier effect.

7.4 Priority market sectors for the Place and Prosperity Framework are likely to be geared more towards innovation and high technology, smaller workshop space, leisure, food and beverage or tourism. What is key is that few market sectors will be disregarded completely and opportunities will be considered on their merit. That said, the very nature of the market sector the opportunity relates to, will impact on the scoring within the appropriate scoring matrix – particularly in respect of market failure, lease potential and socio-economic benefits. It will be the scoring matrix that takes precedent as the first step of considering investment opportunities and this should be followed by an appraisal of the opportunity via a standardised method proportionate to the level of investment being suggested eg at Appendix C.

7.5 The appraisal process will set out the current baseline (ie what is happening now), analyse the evidence-based options for consideration and set out the need for post project evaluation (PPE). The PPE will make clear what the outcomes to be evaluated are based on the original baseline and a set of Key Performance Indicators (KPI's) will be prepared as part of the project approval process. This will allow the Board and AMF to measure the performance of the project transparently. As the baseline may vary considerably over time, it is important that the best available data is used at the time of assessment to prepare the necessary monitoring information.

7.6 The Council could potentially borrow funds from PWLB at a rate currently of around 4.7%, or use internal borrowing or capital receipts.

7.7 One-off and on-going costs would be incurred in order to deliver the Framework, including, where acquiring assets, estimated average costs typically around ~6.67% of purchase price which includes commission, surveys, legal valuation and stamp duty and land tax (SDLT).

- Business Rates (should be covered by tenant as long as not void)
- Repairs and maintenance (should be covered by tenant through service charge as long as not void)
- Running costs of building, including building management (depending on lease type, again probably covered by service charge)
- Additional staff costs or consultant fees if acquisition is externalised
- Ongoing management costs – staff costs or consultant costs

7.8 The Council will also need to consider the level of reserves that should be maintained, the effect of borrowing on its credit score and its overall borrowing limits. In short, the Council must get the right balance between risk and reward in a prudent manner to ensure the costs from investment does not fall on the taxpayer.

7.9 Ongoing management of acquired assets. The scale of this task and importance depends on the nature of assets and importance of service charge regimes for recovery of costs. Based on the nature of assets a decision needs to be made onwhether this would be dealt with in-house or by consultants who would be experienced at maximising value and have the skillsets and systems to do so.

7.10 Exit strategy - Assets should have good and marketable title although along with this, success in disposing of the asset will depend on market conditions at the time. It should be acknowledged that disposal of assets can be a protracted and uncertain process. Please note the condition under Preventative Action at 2.10 above.

8.0 <u>Risks and Mitigation</u>

8.1 In terms of the management of risk, it is understood that there are inherent risks associated with investments and each business case will be required to identify the risks associated with that investment proposal and the Council will need to balance risk and reward proportionate to the scale of the investment proposed. It is to be expected that some of the risks the Council will be expected to consider will be:

8.2 Recession Risk
There is a risk of the economy going into recession, capital values and rentals can fall as well as rise. Although this not seen as a significant risk now it needs to be factored into long terms decisions. The Place and

Prosperity Framework criteria will target low risk; low management investments that will better withstand any downturn and remain occupied and attractive to tenants, landlords and investors. (A recession is defined as successive 2 quarters of negative growth so if this persists into Q4 of 2022/23 then the UK will be in a recession)

Operating the Place and Prosperity Framework will entail making good decisions diligently in order to put offers forward. However, these can be made as conditional offers and contracts for sale need not be exchanged until the full due diligence and the necessary governance procedures have been completed.

8.3 Negative Climate Change Risk
Projects should not increase the Council's current carbon if this is not possible then the project should have sufficient mitigations to minimise the carbon impact, including offsetting where appropriate.

8.4 Abortive Cost Risk
Abortive costs will be incurred in making bids that do not succeed, or from choosing (as a result of due diligence) not to continue to exchange of contract. These costs may include feasibility studies, ground investigations, advisers' costs, legal costs, survey fees and officer time. This risk is inherent to property investment and the focus will be on ensuring that potential problems are identified at the earliest possible stage of each acquisition.

8.5 Interest Rate Risk
The PWLB borrowing rates had been consistently below 3% for some time but this has changed recently and has increased to 4.7% and the Bank of England has predicted a UK recession (Nov 2022). To mitigate this risk of interest rate change the borrowing required for a business case will be undertaken and fixed at the time the scheme is committed.

8.6 Knowledge of the Market Risk
Investment involves clear risks due to wider economic conditions, which are beyond the control of the Council. However, other property related risks, such as those relating to the condition of the property or complications with leases are easier to assess and manage.

The property market is driven by prompt responses to opportunities that may not be offered on the open market. The Council should be able to increase the potential to be offered access to such opportunities by engaging specialist external advisors. However, the ability to act diligently is critical and the Council will need to use its own knowledge of the District, combined with the wider market understanding of (external) specialists, to ensure that it adopts a proactive approach with property owners and specialist property investment agencies.

8.7 Operational Risk
Property management has many inherent operational risks including:-

- Vacancies (voids) in the portfolio will reduce average yield. As well as lost rental income on vacant units, the Council could find itself liable for a share of on- going costs, which a tenant would normally pay such as empty property rates.
- Disputes with tenants. Common disputes include ongoing maintenance and repair costs of buildings and the ability to recover those costs from tenants.
- Tenant default, and that financing costs could rise.

These risks will be mitigated through the quality of the property and tenant.

8.8 Capacity Risk
Operating a dynamic property investment function calls on a knowledge base and skill set which the Council does not currently have in depth. Although some relevant expertise does exist within the Council, existing workloads and ongoing projects make it unlikely that this could be released at the level required to support this type of activity.

Nevertheless, in order for the Council to successfully implement its Place and Prosperity Framework, it will need access to the type and level of expertise that can support robust and timely decision-making. It is likely that this will be best achieved by contracting with external property investment advisors who will do the following:

- Identify potential investment opportunities and evaluate values.
- Carry out necessary due diligence and advice on risks.
- Prepare individual business cases.
- Undertake commercial negotiations.
- Manage Freehold and leasing arrangements.
- Evaluate prospects for rental growth and capital appreciation.
- Provide an asset management plan for the portfolio

This use of external advisors will need to be carefully and consistently managed by the Director - Finance (CFO/S151) or the Assistant Director for Place assets and Commercialisation

8.9 Change of Government Policy Risk
The Council will use the General Power of Competence to undertake the Place and Prosperity Framework. There is a risk that the Government could introduce limits to this power. If this were to happen, it would restrict future investment, including business cases in progress but is unlikely to be retrospective.

8.10 Assessing the risk of individual investment opportunities will be a key element of both the Outline Business Case and Full Business Case detailed within section 9 of this Framework.

9.0 Required Skillsets

9.1 Whilst an initial assessment of potential opportunities will be managed in-house, additional specialist investment agency, valuation and building surveying services might need to be procured through external consultants. As for specialist finance and legal advice, again external consultants and trainers might be needed.

9.2 Once the investment fund is established and investment criteria confirmed, external advisors can be appointed to assist in sourcing, evaluating and completing the acquisition process. Furthermore, the Council should consider retaining an external property management company to pro-actively manage future commercial assets going forward. In return for a fee of typically 5-10% of the rental income, the management company would deal with all landlord & tenant matters, lease events, rent collection and service charge arrangements in addition to dilapidation claims.

9.3 Notwithstanding the need to engage with specialist advisors, it will remain vitally important that the Council retains investment expertise in-house and can operate as an effective “informed client” in all negotiations with appointed advisors and to understand the implications of the advice provided. This role will be undertaken by the Assistant Director – Place, Assets & Commercialisation along with other colleagues as necessary but will impact on staff resourcing.

9.4 The Council will track internal resource required when considering investment opportunities and whilst potentially abortive, will ensure this is factored alongside ongoing management costs when assessing the performance of an investment opportunity. Furthermore, these costs will be included in the £20M investment fund to truly understand to ensure any debt incurred is met.

10.0 Assessment of Investment Opportunities – Weighted Scoring Matrices

10.1 To ensure investment opportunities can be considered in a structured and objective manner, all such opportunities will be considered using one of the three weighted scoring matrices included in the attached Confidential Appendix A.

11.0 Assessment of Investment Opportunities – Process & Governance

11.1 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 with investment portfolios have taken this a similar approach and the proposal set out below is a proven model.

11.2 The process is as follows:

1. Relationships with external agents and the market be developed to ensure that this Council is understood by the market to be an investor.
2. Officers led by Assistant Director – Place, Assets & Commercialisation (PAC) 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).
3. 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.
4. 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.
5. If the investment opportunity achieves the necessary score and indicative return then it progresses to a dedicated 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

2. A Full Appraisal (example shown at Appendix C other formats are available eg using Argus or Proval the method chosen should be proportionate to the costs and complexity involved)) is prepared to enable a final recommendation to invest following consideration by the Investment Assessment Board. The decision to invest is delegated to the Investment Board comprising;

   - 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 to be considered by the Place and Prosperity Investment Assessment Board. The Board will be a subcommittee of Cabinet consisting of the Leader, the Portfolio Holder for Finance and the Portfolio Holder for Economy. The Board to be advised by the Director of Finance and other key officers. The Board will have authority to make decisions up to and including £5,000,000.

   - If an investment opportunity exceeds this £5,000,000 limit then the Council's normal decision making route will apply and the Board will recommend the investment to the Cabinet/Council as appropriate.

   - In making a decision, the Board should be fully agreed. If a decision is not unanimous then it cannot proceed.

11.3 This approach will ensure that resources are focused on delivering realistic investment opportunities rather than being diverted onto others that do not meet the agreed investment criteria. The approach will also ensure investments can be delivered in line with market expectations and in accordance with commercial confidentiality.

11.4 For avoidance of doubt, any investment that does not satisfy the objectives and scoring requirements of the Framework can only progress subject to standard decision-making arrangements within the constitution.

11.5 Wider reporting on investment decisions and performance of investment assets will be through 6 monthly reports to Council, updates to Asset Management Forum and to the Senior Management Team.

11.6 The decision-making and reporting arrangements are shown in Appendix B – Place and Prosperity Framework Governance.

11.7 The key drivers to successful delivery of this Framework are as follows:

- Relationships with key players in the investment market
- Officer expertise to identify and progress opportunities
- Member understanding of the information presented and the appropriate training to be in place for Board members to build confidence.
- Of greatest importance – Accountable objective and consistent decision making