

Cabinet



Forest Heath
District Council

Title of Report:	Overarching West Suffolk Growth Investment Strategy, Governance and Delegation	
Report No:	CAB/FH/18/014	
Report to and dates:	Cabinet	13 February 2018
	Council	21 February 2018
Portfolio holder:	Lance Stanbury Portfolio Holder for Planning and Growth Tel: 07970 947704 Email: lance.stanbury@forest-heath.gov.uk	
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Purpose of report:	To present the following to Members for approval: <ul style="list-style-type: none"> - The delegation proposals for decisions relating to lending and expenditure of capital projects which relate to the £40m investment fund and the Overarching Growth Investment Strategy - Proposed draft Overarching Growth Investment Strategy and associated governance arrangements 	
Recommendation:	<p>It is <u>RECOMMENDED</u> to Cabinet that, subject to the endorsement of Council:</p> <p>(1) The Overarching West Suffolk Growth Investment Strategy, as attached at Appendix A to Report No: CAB/FH/18/014, be approved;</p> <p>(2) subject to the safeguards set out within this report, as detailed in Table 1 at paragraph 6.4, decisions on expenditure made from the previously approved capital and revenue Growth Investment Fund, be agreed as follows:</p>	

	<p>(a) in accordance with Section 1.3 (b) of the Cabinet Procedure Rules contained within Part 4 of the Constitution which allows the Leader to amend the delegations to individual Cabinet Members, the relevant Portfolio Holder and Leader, in consultation with the statutory officers, be authorised to make decisions of up to £0.5m expenditure;</p> <p>(b) Cabinet be authorised to make decisions of up to £2m expenditure; and</p> <p>(c) Council shall make decisions where the expenditure is anticipated to exceed £2m.</p> <p>(3) The Monitoring Officer shall make the necessary amendments to the Cabinet's scheme of delegation in accordance with her existing delegation, and be authorised to make other amendments to the Constitution as a consequence of (2) above.</p>
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
<p>Consultation:</p>	<p>The principles included within the strategy have been considered by the West Suffolk Joint Growth Steering Group and Overview and Scrutiny Committee, who were supportive to them.</p>
<p>Alternative option(s):</p>	<ul style="list-style-type: none"> • Cabinet and Council could choose to stay 'as is'. The limitation of the current approach is set out in section 2 of Reports CAB/FH/17/018 and CAB/SE/17/020. • An alternative is that the Council could choose to hold additional council meetings to consider investment opportunities. • Another alternative is for the Chief Executive to use his urgency powers to ensure opportunities are not lost, however this doesn't provide the greatest level of democratic process or scrutiny.

Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> There are no direct financial implications as a result of the strategy, however decisions made in order to implement the strategy will have financial consequences and these will be considered in individual business cases. Equally not investing in the way set out by the strategy could mean the West Suffolk Councils would need to make extra savings. 	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> Covered within the main Budget and Council Tax setting report contained elsewhere on this agenda (Report No: CAB/FH/18/013). 	
Are there any ICT implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> Not arising directly from the report, however decisions made in implementing the strategy may require ICT support and this will be considered as part of the individual business cases. 	
Are there any legal and/or policy implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> As detailed in the report. 	
Are there any equality implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> Not arising directly from the report, however decisions made in implementing the strategy may require equality assessment. 	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Risk of reactive investments, missed opportunities and for inconsistency	Medium	Development and adoption of an overarching strategy allowing decisions to be taken against a backdrop of agreed principles	Low
Missed opportunities due to time delay within the democratic process	High	Approval of proposed governance arrangements and delegations for the Investment Fund	Low
Members feel that there is a lack of appropriate scrutiny through the new	Medium	Papers for investment items would be available to all Councillors.	Low

<p>proposed governance arrangements</p>		<p>Briefings would be given on issues of particular interest to Ward members.</p> <p>Decisions notices would be published after the meetings, and would be subject to Call-In procedures.</p>	
<p>The fund doesn't perform against the current revenue budget assumption of a net 1% return</p>	<p>Medium</p>	<p>Individual business cases to be assessed against the approved investment framework, including on the basis of borrowing.</p> <p>Fund is managed at a portfolio level, to ensure there is an overall balance in the return against the current revenue budget assumption of a net 1% return for the fund.</p>	<p>Low</p>
<p>Ward(s) affected:</p>		<p>All</p>	
<p>Background papers:</p>		<p>Cabinet Reports presented to FHDC Cabinet and SEBC Cabinets on 4 April 2017 and 28 March 2017 respectively:</p> <p>CAB/FH/17/018 and CAB/SE/17/020 Establishing a Mechanism for Investing in our Growth Agenda</p> <p>Cabinet Reports presented to FHDC Cabinet and SEBC Cabinets on 14 November respectively:</p> <p>CAB/FH/17/055 and CAB/SE/17/058 Development of a West Suffolk Growth Investment Strategy (Investment Principles)</p>	
<p>Documents attached:</p>		<p>Attachment A – Overarching West Suffolk Growth Investment Strategy (full and short versions) and Executive Summary</p>	

1 Introduction

- 1.1 The Medium Term Financial Strategy (MTFS) 2017-2020 sets the principle that both Forest Heath District and St Edmundsbury Borough Councils (the West Suffolk Councils) would invest to support the wider growth agenda. In February 2017, as part of the main Budget and Council Tax setting process, both Councils approved a revolving capital growth investment fund of £20m each, funded from external borrowing.
- 1.2 A further report was then presented to both Cabinets in March and April 2017 which set out the Councils' approach to investing in Growth including preparing of an Overarching Growth Investment Strategy and the creation of a £1m each revenue fund to support the delivery of the capital fund detailed above.
- 1.3 The principles for the Overarching Growth Investment Strategy flow from the Strategic Framework 2018 – 2020 and were endorsed by the Overview and Scrutiny Committee on 8 and 9 November 2017. Their comments that we should seek to encourage local supply chains, importance of the development of the Place Growth Plans to respond to the local characteristics and that £40m may not be sufficient to deliver our Growth aspirations, were reported to both Cabinets at a joint meeting on 14 November 2017, when both Cabinets also endorsed the principles.
- 1.4 The Overarching Growth Investment Strategy and Executive Summary is included in Attachment A. This has been developed to support the vision and objectives in our Strategic Framework and sets out how we will invest to achieve these Strategic priorities.
- 1.5 The Strategy includes opportunities in four key areas (housing, business, infrastructure and inclusive growth) for all investment in Growth across West Suffolk, not all of which the Councils have a role or can deliver. As such, the document will also act as a window to channel and focus energies and activities of external stakeholders and investors.
- 1.6 We anticipate additional investment opportunities will continue to be presented to us from external stakeholders. The development of an assessment framework/guidance will be completed over the coming months to be available for proposals (both internal and externally) to be considered, taking into account:
- extent which they meet the priorities in our strategic plan,
 - added value in terms of inclusive growth
 - deliverability; and
 - financial return.
- 1.7 Governance and the suite of metrics within our performance management framework will be used to assess the success of our portfolio of investments, along with those metrics identified at individual project level.
- 1.8 Separate to the strategy a suite of materials will be produced which will be specifically targeted at various stakeholders. Therefore, while the papers are designed to set out and explain the Growth Investment Strategy to guide investment this will be backed by shorter and more targeted materials for

particular audiences – from local residents, councils to investors and developers. For example the Executive Summary can be used for councillors to understand and brief on the larger document.

- 1.9 The report also covers the proposed levels of delegation and safeguards for capital expenditure in relation to implementation of the Overarching Growth Investment Strategy. The principle of reviewing delegation levels has previously been presented to Members in March, April and November 2017, including to Overview and Scrutiny Committee and through to Cabinet.

2. Approach to investing in Growth and associated governance

- 2.1 In March and April 2017, both Cabinets approved the creation of a £2m revenue reserve (in total) to facilitate next steps. This included preparation of an overarching Growth Investment Strategy which allows decisions to be taken against a backdrop of agreed investment principles. These principles, as approved by Cabinet in November 2017 are:

- Investing in our people and place – distinctly local not generic solutions
- Acting more commercially for a blended return
- Collaborating to maximise benefit
- Making our process and policies work for our communities

- 2.2 The April 2017 paper also reinforced the leadership role for Cabinet by “concentrating decision-making about investment and growth within the Cabinet structure, there will be an opportunity for a body of knowledge and expertise to be built up and for skills development around horizon scanning, economic insight, strategic property investment and risk management.”

- 2.3 Members approved our approach in March and April 2017, identifying that the Overarching Growth Investment Strategy would be prepared with input from Overview and Scrutiny Committee and would sit within a Strategic Framework which flowed from the Strategic Plan and had an inter-relationship with the MTFS and our approved Investment Framework. Cabinet is to take ownership of the implementation of the Overarching Growth Investment Strategy once it is approved.

- 2.4 Success will be measured on a project by project basis and the performance of the portfolio of investments as a whole in achieving an overall revenue return assumption of 1%. Along with the value of social and economic return against the metrics within our growth balance scorecard. Members should note the lifetime of the majority of projects will extend beyond the period of the Strategic Plan and therefore their value may not all be measurable within this period. While one of the measures is financial return the investments will also help bring social benefits to our communities.

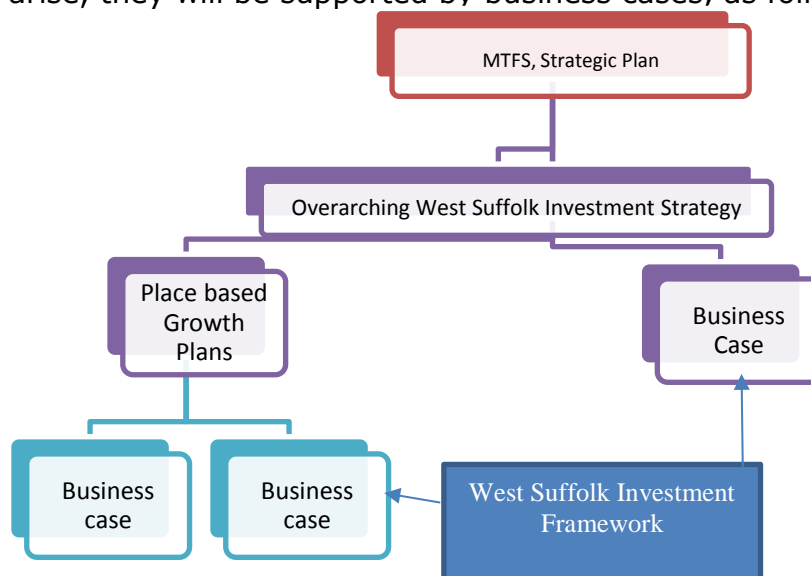
3. Place investment and making the most of our assets

- 3.1 As part of our agreed approach, Members agreed to prepare investment plans for our places which will be required to be approved by Cabinet and will enable the consideration of investment opportunities in relation to the different characteristics of our market towns and rural areas.

- 3.2 In the presentation to the Overview and Scrutiny Committees on 8 and 9 November 2017, it was proposed that officers prepare individual Growth Plans for each of our market towns and rural areas later in 2018, which respond to individual evidence bases for each area. The Place Growth Plans will form part of the suite of evidence base which we will need to prepare to inform a West Suffolk Local Plan.
- 3.3 An Asset Management Strategy will be prepared over the next six months, this will evaluate the Council's portfolio of assets and identify how they can be best used to deliver its strategic priorities. This will also provide a framework for assessing new acquisitions against our wider asset portfolio.
- 3.4 The delegations proposed at paragraph 6.4 will not apply at this time on property (assets) investments. Specific delegations will be proposed as part of the development and approval of the Asset Management Strategy discussed at 3.3. Further to this, local growth plans may also include further additional specific delegations.

4. Individual project assessment

- 4.1 Members have also agreed the Overarching Growth Investment Strategy and Place Growth Plans will provide the context for officers when preparing business cases on a project by project basis, in line with the approved Council's Investment Framework. Once individual investment opportunities arise, they will be supported by business cases, as follows:



- 4.2 In order to develop business cases and external and internal investment propositions appraisals will be undertaken assessing:

- links to the Councils' strategic priorities
- likely community benefit (including contribution to the prevention agenda)
- investment required and associated borrowing costs
- likely return on investment including business rates, New Homes Bonus and council tax
- any ongoing costs and/or savings, including impact on demand

- management considerations
- likely business rates yield
- how the Councils' investment role could support the relevant masterplans for each place
- special considerations – legal, taxation, State Aid, appropriate delivery vehicle, use of existing company structures etc
- risks associated with each investment
- performance of the individual investment against that of our wider portfolio of investments

4.3 It is important given the size of the fund and the variety of projects (in the financial sense) that we anticipate considering against the strategy, that the fund is managed at a portfolio level, to ensure there is an overall balance in the return against the current revenue budget assumption of a net 1% after allowing for borrowing costs for the fund.

Review

5.

5.1 It has been previously reported to Members that the Overarching Growth Investment Strategy will be reviewed after two years with the West Suffolk Strategic Framework. There will also be the opportunity for Members to review the fund level to the delivery of the Strategic Framework and the implementation of the Overarching Growth Investment Strategy and the growth agenda as part of the annual budget setting process. Resourcing plans are being developed with a view to a two year review, enabling us to change course flexibly without having to "unwind"

5.2 Details of projects delivered, measures of success and other relevant feedback will be reported through the Overview and Scrutiny Committee/s annually.

Delegation

6.

6.1 In March and April 2017 ([CAB/FH/17/018](#) and [CAB/SE/17/020](#)) it was agreed that the Cabinets will have newly delegated authority to authorise funding from the capital Investment Fund of £20m (each Council) on suitable projects. The report stated that delegations are expected to be significant; the spirit of this has been echoed in subsequent Cabinet and Overview and Scrutiny Committee meetings in November 2017. It was agreed the exact delegation values are to be determined following the development of the Overarching Growth Investment Strategy and are subject to Council approval.

6.2 The main purpose behind reviewing delegations is to enable decisions which are aligned to the pre-approved strategy to be made quickly and efficiently, enabling the Councils to seize opportunities that are available and not risk losing out or putting projects at risk through having to go through additional procedures. At the same time, this must be balanced by ensuring due procedure is followed and a democratic process is carried out so the Council does not take unnecessary risks with public funds.

In assessing future delegation levels, officers have reviewed investment schemes operated by other Councils, assessing procedures and processes in

6.3 addition to threshold levels:

- A number of councils have set up specific investment companies in order to operate their schemes – including both Breckland (Breckland Bridge) and Mid Suffolk and Babergh. Investment companies present their own risk and reward structures, and whilst they may be an option over the longer term, it is considered more appropriate to retain direct control of the investment fund within the local authority at present.
- In general, our current delegation thresholds are comparatively low. With respect investment funds, similar councils tend to operate at higher levels. Eastleigh Borough Council, for example, has increased its investment portfolio from approximately £55m and is now approaching a £200m fund. An internal board assesses proposals, and officers have delegated authority to authorise commitments of up to £1m. Beyond this, investments are considered by Cabinet.

It is proposed to operate a similar model of thresholds as in the table below. These will apply to all investments with the exception of property and land acquisition, which will be guided by the West Suffolk Councils’ Asset Management Strategy which will be prepared in forthcoming months:

6.4

Value	Decision Maker	Safeguards
Up to £0.5m	Portfolio Holder and Leader, in consultation with S.151 Officer, Monitoring Officer and Chief Executive Example decision of this nature – Development of the rent-a-roof solar scheme	The requirements of the current (constitutional) portfolio holder delegation procedure will be followed. This includes that a Member may not make a decision relating to their own ward; local Members should be informed where decisions are made that relate to their ward, and all decisions should be accompanied by a decision notice published at least 5 clear days in advance of the decision, which may be subject to call-in procedures (see below)
Up to £2m	Cabinet Example decision of this nature – Loan	The current Cabinet procedure would be followed, with decision notices published as required, and a formal agenda at least 5 clear days before the meeting. Meetings are subject to call-in procedures.
Beyond £2m	Council	The current Council procedure would be followed. It may be necessary to call extraordinary meetings of Council to ensure that decisions can be made on a timely basis.

To give examples of the types of decision and how this threshold may be applied:

6.5

- A start up company has asked us to invest £100,000 in their business so they can apply for match funding to invest in research for a new tech product. Officers undertake necessary background checks on the company to ensure they are suitable for investment, after which the Portfolio Holder makes a decision.
- A developer has asked us to provide them with a £1m loan for important infrastructure which will enable them to facilitate, this needs a quick decision in order to secure future tenants on part of the site. An extraordinary Cabinet meeting is arranged and officers prepare a report which includes background information on the company following checks being undertaken and assurances regarding the future tenants on the site.

6.6

This is a significant departure from present delegations, however still places Members in control of the process. Should the Portfolio Holder and Leader believe the decision is particularly sensitive or controversial, they may decide not to exercise their delegation. It is also important to understand the safeguards that exist to ensure all Members are aware of what decisions are being made, and why; in practice, the safeguards that operate for Portfolio Holder decisions are similar to the safeguards for Cabinet decisions.

6.7

Under existing legislation, where a key decision has to be made, a notice has to be issued highlighting the decision that is to be made. If the notice is issued less than 28 days in advance, the Chairman of Overview and Scrutiny must be informed. If there is less than 5 clear days notice, then the Chairman of Overview and Scrutiny must consent to the decision being made.

6.8

The Constitution requires that where a Portfolio Holder is making an executive decision, then a copy of the associated paperwork must be provided to the Chairman of Overview and Scrutiny Committee, and the final decision circulated to all Members. The decision notice would include details of the decision, why it was made and who was consulted. Members have the right to call-in the decision to the Overview and Scrutiny Committee.

6.9

Whilst the Constitution does allow the call-in process to be waived where it would seriously prejudice the Council or the public's interest, this must be agreed by the Overview and Scrutiny Committee Chairman.

6.10

Clearly, it is important that the Council seeks to operate as transparently as possible, and ensure Members and other stakeholders have assurance that decisions are being made in the right way and for the right reasons. However, some decisions will necessarily have a degree of confidentiality as they may be commercially sensitive, and releasing information in the public domain at an early stage could damage the Council's negotiating position.

6.11

From a legislative perspective, whilst respecting the safeguards outlined above, it is for the Leader – in consultation with his Cabinet – to determine how "executive" functions operate. In that regard, Cabinet is asked to agree the delegation approach outlined above, but recognising the

significance of the decisions being made, Council will be requested to endorse the delegation approach above.

6.12 Similarly, whilst it is important to undertake this review at this stage, there may be further opportunities within the forthcoming West Suffolk Council Constitution to review our approach to decision making and delegations.

6.13 As set out in paragraph 3.4, these new increased delegations (paragraph 6.4) will not apply to those investment decision under the strategy relating to investing in property (assets) that would join our asset portfolio.

6.14 The Council's current Loan Policy will be updated to reflect the new delegations where loans are granted in delivery of our Growth Investment Strategy.