

Cabinet
Council

19 November 2013
3 December 2013

Name of Cabinet Member:

Cabinet Member (Business, Enterprise and Employment) – Councillor Kelly
Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

Director Approving Submission of the report:

Executive Director, Place
Executive Director, Resources

Ward(s) affected:

All

Title:

Growing Business Rates through creating the Coventry Investment Fund

Is this a key decision?

Yes. It has the potential to affect all wards within the City and expenditure is in excess of £500,000.

Executive Summary:

The need for economic growth is greater than it has been at any time in recent years. At a national level growth is required to help reduce sovereign debt and to ensure the UK remains competitive. Locally, the retention of a share of Business Rates from 2013/14, in part through the operation of multi local authority pooling agreements, has significantly increased the importance of driving growth locally. From 2013/14 authorities will benefit where there is growth in business rates, but suffer where there is contraction, with changes impacting at a local level more directly than they would have in the past. With this change the vibrancy of the local economy becomes ever more important. There is a real need for the Council to play a leading role in attracting inward investment, using its powers to achieve strategic regeneration and business rate growth more than ever before.

The pursuit of economic growth in the City and region is central to the Council's abc Transformation Programme and the emerging City Deal, including how the Council can use its assets and powers to ensure an economically vibrant future for the City and its people. In addition, the Council will consider how best it can use its cash balances and reserves to help stimulate growth, through for example, taking advantage of current low short term interest rates. The Council as part of its financial planning, is actively assessing business cases for providing pump priming investment through Prudential Borrowing.

In the context of the above, the Council's Medium Term Financial Strategy 2013 - 2016 includes the funding of a £50million Coventry Investment Fund (CIF). Growth in the local economy, the creation of jobs and the growth in business rates can be stimulated and accelerated by public

sector investment. By creating a local investment fund, on scale, the Council is seeking to invest in the City's financial future over the coming years and create a sustainable and prosperous City. This is at a time of significant funding reductions within local government and public policy change. However, the Council recognises the importance of taking steps now to generate local growth. This is in order to support the reduction in demand for public services and the funding of residual services to local people, in the future.

This is a bold move in a time of austerity and is absolutely in line with the new Cabinet of the Council's 20 point Plan for the City including plans for growth and prosperity. It demonstrates a very substantial investment in the City and confidence in the City's ability to grow and thrive.

The CIF will build on the success of recent externally funded programmes such as Regional Growth Fund, Growing Places and European Regional Development Fund (ERDF), complementing existing funding streams and meeting the gap these funds are not able to address. It would be used to invest in real business opportunities right the way through from manufacturing to retail and leisure services, road improvements and include the development of the Council's commercial property portfolio, with a view to getting the best return possible from our assets.

An Investment Board will be established to make investment decisions from the CIF on behalf of the Council under delegated powers, chaired by the Cabinet Member (Business, Enterprise and Employment).

The CIF will be delivered internally by teams across both the Resources and Places directorates, and will be live from this Autumn.

Recommendations:

Cabinet is requested to:-

1. Agree the establishment of the '*Coventry Investment Fund Board*' as a Cabinet Committee, its terms of reference and membership.
2. Agree delegated authority for the CIF Board for the fund with individual grant awards up to a maximum of £1million and non-grant awards of up to a maximum of £2million subject to satisfactory due diligence being completed as detailed in paragraph 2.8.3.
3. Allocate a budget of £2.5million of CIF funding to develop up to 4000m² of new industrial buildings at Lythalls Lane and to delegate authority to the CIF Board to enter into such legal agreement required to facilitate the development provided costs always remain within the approved budget.
4. Receive an annual report on the Coventry Investment Fund.
5. Agree to arrangements for marketing the CIF and attracting interest in the Fund as detailed in the report.
6. Recommend to Council that Council approves the consequential changes needed to the Constitution to include the Coventry Investment Fund Board's terms of reference and membership and give delegated authority to the Council Solicitor to make the necessary changes.

Council is asked to:

1. Receive an annual report on the investment fund; and
2. Approve the consequential changes needed to the Constitution to include the Coventry Investment Fund Board's terms of reference and membership and give delegated authority to the Council Solicitor to make the necessary changes.

List of Appendices included:

Coventry Investment Fund Board – Proposed Terms of Reference

Background papers

None

Other useful documents:

Budget Report 2013/14, 26th February 2013

<http://moderngov.coventry.gov.uk/documents/s9333/Budget%20Report%202013-14.pdf>

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes - Council 3rd December 2013

Report title: Growing Business Rates Through Creating the Coventry Investment Fund (CIF)

1. Context (or background)

- 1.1 Coventry has significant potential for growth with two global universities, an unrivalled location, exceptional motorway, rail and air transport infrastructure links and a talent pool for employers to recruit from across the region, yet Coventry's economy is underperforming by nearly £1 billion per annum and its City Centre performs poorly compared to other cities, being 47th in the UK list of shopping Centres, despite being the 13th largest City. As the gateway to the Coventry and Warwickshire regional economy the City Centre is underperforming. There is headroom for growth and the City needs continued economic stimulus to reverse this decline.
- 1.2 The Centre for Cities, an independent urban research organisation, classified cities in 2010 as buoyant, stable or struggling. Whilst Coventry's economy was classified as 'stable' they did indicate that it was close to being classified as 'struggling', and indicated that 11,900 jobs would be needed to bring the City's employment average up to the UK average. Compared to 63 other UK Cities, Coventry was performing less well across a number of economic indicators including business start-ups, business stock and economic activity per head, skills, employment, earnings and house prices. Coventry's economy has less private sector jobs and more public sector jobs when compared to other cities.
- 1.3 Whilst there are indications that Coventry has been weathering the recession well and some parts of the local economy are growing, there is a lack of suitable built or readily available business premises to accommodate this growth. It is for this reason that Centre for Cities have recently recommended that the Council and the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) continue to prioritise funding for improvements to Coventry City Centre as it is the gateway to the region and acts as a hub for businesses.
- 1.4 The Council has already committed to anchoring the Friargate development with its new office building to kickstart a new office based business district next to the railway station. This scheme will strengthen the catchment area for the City Centre South shopping scheme, radically change the City Centre, create 13,000 jobs and £11 million of business rate growth, in addition to saving money and creating a platform for transforming services to Coventry people. The Council report on 25th June 2013, recommending the starting of the Friargate scheme and the associated Friargate Bridge report, also approved the first investment from the Coventry Investment Fund including £1.7m to fund costs of the programme.
- 1.5 In February 2013, the Council provided for the Prudential Borrowing costs associated with £50 million capital investment to achieve local economic growth as part of its Medium Term Financial Strategy (MTFS). Cabinet and Council now need to decide the framework and governance for the allocation and distribution of the funds.
- 1.6 The Local Government Finance Act 2012 introduced new arrangements regarding Business Rate income. From 1st April 2013 growth or falls in Business Rates shared 50:50 between Central and Local Government. Business Rate reform introduces an element of opportunity and at the same time risk for the Council to grow and maintain its business rate collection and base.
- 1.7 The achievement of Business Rate growth will become a key feature of the Council's resourcing into the future. Large scale developments like Friargate and City Centre South will drive substantial growth in business rates. It is fundamental that the Council can use its powers, assets and finances using innovative means to accelerate or enable delivery.

- 1.8 As business rates are derived from new buildings it is important for the City that there is an active development pipeline of new buildings to support the City's economy and to provide a source of new business rates income. It is clear that the banking crisis of 2008/09 and the subsequent recession have brought speculative development in the City (and also across the country) to a halt. This means that there is a shortage of suitable new buildings in the City to accommodate or encourage inward investment. This is particularly applicable to the automotive supply chain supporting Jaguar Land Rover. Accordingly it is important that the Council considers initiatives that encourage new development in the City. This could include incentivising the private sector through Council funding to developers, provision of rent covenants or the Council undertaking development directly.
- 1.9 The demand and need for public intervention in business investment is clear. In January 2013, the response through an open call for business investments in Coventry & Warwickshire to create jobs was unprecedented. Over 62 expressions of interest were received, asking for over £67million of intervention which would potentially lever in around £280million of private investment into the area. Alongside this the successful ERDF SME grants programme has allocated over £1.6million in 12 months, against 30 business led investments, with a view to creating over 300 jobs and bringing in a further £9million plus private sector investment – and whilst the fund is reaching its capacity with a further 15 months to go, the pipeline for investment is growing.
- 1.10 The latest investment pipeline shows well over £100million worth of private investment that could potentially be brought forward into Coventry with a relatively small amount of public finance intervention, but currently is unable to access existing funding.
- 1.11 There is a clear economic growth opportunity for Coventry & Warwickshire, the investment by large companies such as Jaguar Land Rover is creating opportunities for the supply chain to locate around JLR. The development of Friargate is creating opportunities for new investment into the City, investment in the manufacturing supply chain in business such as Covrad, Unipart and Lear to name a few will create over 400 jobs and some direct foreign investment in the area.
- 1.12 Coventry currently has a competitive advantage compared to many of its neighbours and comparator areas. It is able to support both SME and large Business investment through its Assisted Area Status and there is more opportunity that can be exploited through this. However, even with this advantage the reality is Coventry is competing with other areas to bring forward growth opportunities, the key negotiating tool is the ability to put together a financial package to encourage businesses to invest in the City.
- 1.13 Coventry's assisted area status is likely to change in the summer of 2014, and the window of opportunity to start making investments is limited with action required before new Regional Aid Guidelines which could potentially curb the financial support Coventry can offer to large businesses.
- 1.14 The Government has already backed the evidenced demand for public finance intervention in Coventry & Warwickshire by allocating almost £30million of Regional Growth Fund resources to the CWLEP to invest in businesses and create jobs.
- 1.15 The City Deal negotiations provide the framework through which investments can be maximised and aligned to the wider sub regional agenda. The CWLEP will be allocated a Single Growth Fund in the future which will also support investment by amalgamating a range of existing funding streams, including potentially New Homes Bonus.
- 1.16 Maximising growth opportunities will require the Council to think differently and put in place governance in order to ensure that those opportunities, where deemed worthwhile

can be pursued with pace under flexible and responsive decision making through the Investment Board.

1.17 The attraction of the City as a place to invest is also driven by the City's offer in terms of the quality of its schools, leisure activities and housing. The Council recognises the need to continue to work across all of its services to deliver policies that create the wider environment for growth – the Coventry Investment Fund is one part of a much wider approach to Place.

1.18 Opportunity for First CIF intervention at Lythalls Lane

1.19 Demand for small industrial units within the city has however remained relatively steady despite the recession leading to continued and reasonable demand. However the effects of the recession, the lack of bank funding and the imposition of void rates on vacant industrial properties has halted all speculative industrial development in the city.

1.20 The Council as landlord has the opportunity of stepping into the void created by the failure of the market to supply the required premises and to produce a positive contribution to our commercial portfolio.

1.21 Approximately 2.5 acres of Lythalls Lane remains undeveloped. This site is a traditional small industrial estate in the city that has always let well at rents of circa £4-5 per square foot, providing the Council with one significant opportunity to be the first investment the CIF makes.

1.22 It is therefore proposed that the Council could undertake the development of speculative industrial units to be held long term as part of the Corporate Property Portfolio. It is further proposed that the Council undertakes the development directly (we have all the necessary skills in house), engaging a professional team and placing a commercial building contract with an appropriate building contractor.

1.23 The Council would then seek to let the units using commercial agents and then manage the units via Corporate Property Management.

1.24 The units would be let on commercial terms.

2. Options considered and recommended proposal

2.1 The preferred option is to put in place specific investment fund – The Coventry Investment Fund (CIF) that is focused on delivering business growth and compliments the external funding environment that currently available to business, tackling issues of access to finance, funding investment in public sector infrastructure to unlock sites and de-risking developments.

2.2 Within the preferred option, to fund up to £2.5m from the CIF for the development of speculative industrial units at Lythalls Lane.

2.3 Purpose of CIF

2.3.1 The simple purpose of the fund is *'to grow Coventry Business Rates and achieve economic benefits for its citizens'*.

2.3.2 This fund would be one of last resort designed to complement other funding opportunities available to business, and meet a genuine financial gap around investment growth in the City. The fund can also be utilised to support other strategies where the Council may wish to intervene to deliver regeneration aims, jobs and to create the environment for growth.

2.4 Key elements of the Fund

- 2.4.1 The primary aim of the fund is to deliver growth of business rates, which in turn create jobs and investment in Coventry. This may be through the development of new floor space including completely new development or extensions to existing development, or proposals that bring void units back into use.
- 2.4.2 The fund will also support the Council's emerging commercial property strategy through acquisitions and the development of property to generate business rates.
- 2.4.3 It will primarily support business growth within Coventry's Local Authority boundary but also across Coventry & Warwickshire where there are significant and identifiable benefits to residents and businesses within the Coventry area, which in turn Coventry will benefit from through the Business Rate pooling arrangements. Allocations from the Coventry Investment Fund will also require recipients to aim to employ local people.
- 2.4.4 The fund will have a 'revolving' arm to grow and sustain the current investment into the future. This means that after consideration has been given to the delivery of financial targets within the existing MTFs, the Council will look to recycle income from investments back into the fund. Priority will be given to opportunities that used a revolving arm financial mechanism in order to sustain the fund in this way.

2.5 Financial Mechanisms for Investment

- 2.5.1 The CIF will offer a number of financial instruments that could be utilised to unlock growth opportunities, examples of which include commercial loans, rental covenants, grants to business, investment in public infrastructure to attract development, investment in the Council's commercial portfolio.
- 2.5.2 The fund needs to be flexible enough to consider new financial interventions that come on stream.

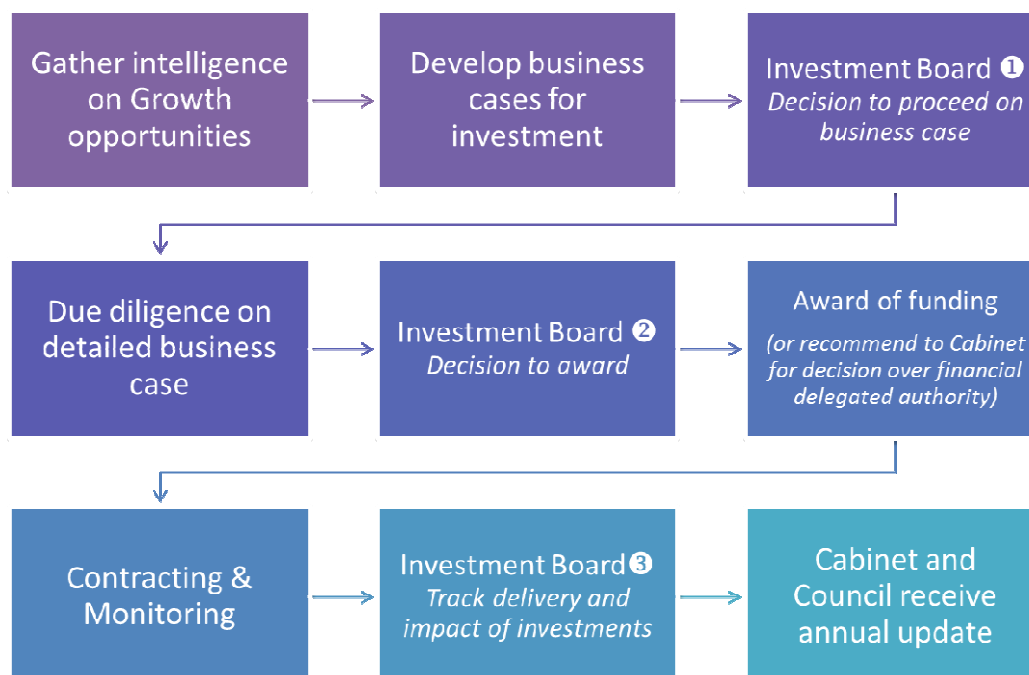
2.5.3 Financial Case for Lythalls Lane

- 2.5.4 The Council must approach this transaction in the same way that any private sector developer would; i.e. minimise risk, maximise lettable and flexibility. The only way that we would act in a less commercial way would be around letting flexibility.
- 2.5.5 The land is in 2 plots totalling c2.5 acres. It is proposed that the Council commits to construct units totalling 40,000 in 2 phases. The cost of construction including fees, land and interest equates to approximately £2.5million
- 2.5.6 A business case has been developed including the rents achievable, void rates and other costs/income. The business rate growth would be in the region of £110k per annum, of which the council can retain 50% until business rates are reset (in approximately 7 years). In addition the Council would receive rent in the region of £260k per annum. This project has strategic fit with the Council's objectives of driving business rates growth, returns and jobs.
- 2.5.7 A small profit could potentially be crystallised if required by sale to third party investor.
- 2.5.8 A rent free period would need to be granted to any occupier dependent on lease length, covenant strength – assumption of 12 months is included.

2.6 Allocating Funds

- 2.6.1 The process for allocating funds needs to be both simple (in order to achieve pace to drive the agenda for growth) and robust (to ensure we are protecting public funds).
- 2.6.2 It is proposed that CIF programme opportunities are maintained on an “Investment Tracker.” The Investment Board will endorse at an early stage, those opportunities that should be worked up more fully into a business case. This early gateway will be based on strategic fit with the purpose of the CIF. The process for allocating and monitoring the impact of CIF funds beyond that stage is proposed as follows:

Figure 2.6 – High Level CIF Process



2.7 Evaluating Opportunities

- 2.7.1 Opportunities will be evaluated according to the purpose of funds. All growth opportunities must deliver against the vision of the Council and CWLEP, and have the appropriate financial standing in order to receive a financial intervention.
- 2.7.2 Beyond the pass/fail criteria the proposed weighting below seeks to ensure that the growth in Business rates is the priority, that the opportunity is genuinely deliverable and that new jobs will be created:
- Business Rate Growth – 40%
 - Strategic Fit to Council’s Vision and Aspirations – 30%
 - Deliverability – 20%
 - Jobs created – 10%
- 2.7.3 In deciding the weighting of activity it is important to note that in the last year alone, through the CWLEP over £40million has been made available as grant and loan to create jobs within the Coventry & Warwickshire Area. With that in mind this fund has been heavily weighted to ensuring the City sees a growth in its business rates, the potential investments are actually deliverable and where job creation will be implicit in these investments.

2.8 Fund Management

- 2.8.1 The fund will be led and delivered by the Places Directorate. The Assistant Director, City Centre & Development Services will be the lead officer. This will be in close partnership with the Resources Directorate who will take the lead on ensuring that the due diligence is completed satisfactorily in accordance with the necessary financial parameters of the Section 151 officer.
- 2.8.2 A strong partnership between the two directorates is critical so the fund management will co-ordinate the work and ensure that the process as described above meets the timings of the growth opportunity and the requirements of the Council as funding body.
- 2.8.3 The monitoring of investments will be done in line with the systems and procedures already established, used and externally audited to manage the Regional Growth Fund, Growing Places and EU Structural Funds.
- 2.8.4 The staffing resources to support the process will be primarily delivered through existing staff within the Places and Resources Directorates. However given the complexity and nature of the different financial interventions there may be a requirement to set aside a small amount of resource from existing or new funding streams (eg RGF) or the CIF for fund management and external due diligence advice up to £100k per annum. It is proposed that ability to allocate this resource will be made available within the Investment Board's delegated powers.
- 2.8.5 Some of the investments that the CIF receive requests to support may require a detailed understanding of risk, return, security arrangements, funding terms, market comparators, due diligence on business plans and market demand. The Council is unlikely to have this full suite of skills in house and will wish to ensure that the due diligence completed for the Investment Board is robust. External advice across a range of disciplines may therefore need to be commissioned and the Investment Board will make arrangements for this advice to be provided via officers.
- 2.8.6 The scale, nature and type of investments will determine the complexity, frequency and nature of the monitoring arrangements that need to be put in place for the CIF. Some investments may warrant the Council seeking an equity stake or position on the Board of the company into which an investment is being made. The Investment Board will ensure that these arrangements are robust and there is also a role for the Council's Internal Audit Manager and the Council's External Auditors in testing the robustness of the governance arrangements in place.

2.9 Governance

- 2.9.1 There is a need to balance the speed of decision making with robust governance. Therefore, an Investment Board will be put in place to review business cases and make decisions on which projects to invest in, the level of financial investment the Council will make the type of investment and track the impacts made by the Fund. The proposed terms of reference are appended to this report, a summary of which is below.
- 2.9.2 The membership of the board is proposed to be Cabinet Member for Business, Enterprise & Employment (Chair), Cabinet Member for Strategic Finance & Resources (Deputy Chair) and the Leader of the Council. The members would be supported by the Executive Director, Resources and Executive Director, Place, who would advise the Board and make recommendations.
- 2.9.3 It is also intended to invite as appropriate at least one independent person to advise and provide a critical friend, external business view. This individual would bring an understanding of the impact the investments could bring against the Council's objectives, market understanding, challenge on the commercial assumptions including assessment of risk but would not be a member of the Board.
- 2.9.4 The Board will need to have delegated authority from Council and Cabinet to make decisions to progress investment opportunities on the basis of the principles set out in this report. The current investments range from £100k to £10million. It is proposed that the Board is given delegated authority to make decisions to award individual investments up to £1million in grant or £2million through a non-grant intervention each from the CIF. Investment decisions will be subject to satisfactory due diligence being completed.
- 2.9.5 Although the board will only have delegated powers to agree up to these levels, they will consider all proposals and in excess of these levels and on the strength of the due diligence in the context of the wider fund objectives will recommend on to Cabinet and/or Council any investments above these thresholds for decision.
- 2.9.6 The Investment Board will meet monthly or as required.
- 2.9.7 The Investment Board will provide an annual update to Cabinet and Council on its activities, investments made, performance and monitoring. It is proposed that a half yearly update is provided to the Business, Economy and Enterprise Scrutiny Board 3.

2.10 Marketing

- 2.10.1 The fund will be marketed on the Council's, CWLEP and appropriate partner websites. It will be profiled as part of Coventry's offer within the City Deal.
- 2.10.2 The website will clearly identify the criteria of what the fund is looking to invest in.
- 2.10.3 The fund will be a key part of the business and inward investment offer for Coventry being profiled as part of trade delegations home and abroad.

2.11 Other options considered

- 2.11.1 The Council could choose not to invest and retain the £50million. The opportunity to have a real financial competitive advantage over some of the other areas in the UK will not be strong as it could be. Without the investment in growth the Council has limited control over the creation of business rates.

2.11.2 The Council could also choose to outsource the management and delivery of the fund. This would represent a high cost to the Council in appointing and retaining a 'fund manager' from outside the Council to deliver this service. It would also potentially not have the flexibility to adjust the fund during its lifetime. However, the Council will look to supplement its own skills and capacity as necessary to ensure that the CIF delivers its outcomes.

3. Results of consultation undertaken

3.1 Consultation was undertaken as part of the 2013/14 budget proposals in which the allocation of £50million as part of the MTFS was approved. There has been no specific consultation on the CIF. However both the demand and evidence base being used to develop Coventry & Warwickshire's City deal would concur that the messages from both small, medium and large businesses is the need for access to finance schemes to support business growth.

4. Timetable for implementing this decision

4.1 Given the nature of the demand the first Investment Board will meet as soon as it can to consider the current pipeline of investments and developed business cases for consideration.

5. Comments from Executive Director, Resources

5.1 Financial implications

5.1.1 In February 2013 the Council set aside £50million, funded from Prudential Borrowing, as part of its Medium Term Financial Strategy to provide support for local economic growth. The profiling of the borrowing allows for allocation of the fund of up to £8m in 2013/14 and the remainder in 2014/15. There is some flexibility to alter the timing of this investment.

5.1.2 Any new business rates generated from the proposed financial interventions should contribute towards the £2m (2014/15) rising to £3m (2015/16) income target for the Strategic Regeneration and Business Rates Growth review under the Council's **abc** programme. There is also the opportunity, through the delivery of commercial space within the Council's commercial property portfolio, to generate income to support the Council's Strategic Property budget target of £3m by 2015/16.

5.1.3 New business rates generated from the financial interventions if any are provided outside of Coventry but within Warwickshire, will also benefit Coventry through the business rate pooling arrangement in place.

5.1.4 Each intervention from the CIF will be assessed against the principles in this report and on its own merits. Financial due diligence will include an assessment of risk, returns, benefits, terms, security, accounting treatment and financial standing of the entity receiving the intervention. Financial due diligence will be complemented by legal, property and development expertise to generate a consolidated business case for investment.

5.1.5 In order to spread and mitigate risk, it is recommended that the £50m CIF should be used across various financial mechanisms detailed in section 2.4. In addition as stated in section 2.2.2 the fund should be utilised as last resource once other sources of funds have been exhausted.

5.1.6 Accounting conventions require the Council to match capital spending with capital funding and revenue spending with revenue funding. The nature of the £50m CIF funding set aside assumes that the CIF is used to support capital expenditure. However, as the programme develops it is likely that some expenditure will be on revenue projects. Part of

the rest of the Council's capital spending is supported by revenue funding and this gives the Council some flexibility to resource switch between different projects in line with accounting practices. The Council will seek to use this flexibility as appropriate and will monitor the use of this as the CIF progresses.

5.2 Legal implications

5.2.1 State Aid

5.2.2 Placing the notice of available funds on the Council's web page ensures it is an open and transparent process.

5.2.3 As part of the due diligence the fund management will have to monitor that no particular applicant has received a number of grants from the Council which could be perceived as unfair. This should be addressed through the proposed evaluation matrix and criteria of the public funds that are invested in the applicant.

5.2.4 The objectives and conditions of the CIF will be clearly recorded as part of the terms of reference to ensure that when awarding grants they are compliant with those objectives and conditions.

5.2.5 Loans and grants

5.2.6 The vires for any loans/charges/grants within the fund will be section 1 of the Localism Act 2011 the general power of competence so we need to show that it's for the benefit of the Council its area or persons resident or present in the Coventry area.

5.2.7 The Council has the power itself to borrow money under the Local Government Act 2003 for capital investments as long as the borrowing remains within prudent limits.

5.2.8 The loans will not constitute state aid if they fall within the market economy investor principle. This means that the loan or charge is on a commercial basis that the loan arrangements are provided on terms that a private operator acting under normal market conditions would provide. Due diligence must demonstrate that the loan is not at an abnormally low rate and the applicant is providing sufficient security to the Council to ensure it will meet the loan repayments.

5.2.9 The issue of vires for both the borrowing of money by the Council and the provision of loans would have to demonstrate by the Council that taking all circumstances into account this was a reasonable decision to be taken by the Council and in accordance with the Council's fiduciary duty.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

6.1.1 The Coventry Investment Fund will contribute significantly to the council's core aims of developing a prosperous city, making it an attractive place to be, making places and services easily accessible and creating a significant number of jobs for the people of Coventry. The CIF is a game changer – it has the potential to fundamentally change the economic landscape of large parts of our city.

6.2 How is risk being managed?

6.2.1 The following table shows the key risks associated with the proposal as well as the actions to mitigate and reduce those risks to the council:

Risk	Mitigating Action
1. The fund is not taken up by businesses	<ul style="list-style-type: none"> • Strong business engagement by the Council's business investment team • Clear marketing strategy • Pipeline of investments already proven • Offering a variety of different financial interventions to suit business need
2. The Council is unable to act quickly enough take advantage of the opportunity	<ul style="list-style-type: none"> • Governance and due diligence conducted on a timely basis whilst ensuring rigour and appropriateness • Investment Board membership at the right level and frequency of meetings • Ability to call the Board together as needed in order to make responsive decisions
3. The Council makes poor investments leading to loss of money. Acknowledgement that not all investments may prove to be as successful as desired.	<ul style="list-style-type: none"> • Risk cannot be completely eliminated but can be minimised by the following actions. • Relationship established with business before application • Deliverability key criteria of the evaluation • Due diligence and monitoring process put in place • By conducting due diligence and scrutinising each bid the risk can be minimised • Spreading investments over a range of financial mechanisms
4. Businesses unable to take up full financial investment after it has been allocated	<ul style="list-style-type: none"> • Relationship established with business before application • Deliverability key criteria of the evaluation • Stringent due diligence process put in place • Clear monitoring processes to enable early warning
5. The return on business rates is not delivered	<ul style="list-style-type: none"> • Linking conditions of intervention to clear deliverable outcomes • Business case would establish the return and how it would be made • The investment would be scrutinised through due diligence to ensure that it would increase floor space and lead to new business rates.
6. Reputational damage as a result of bad investments	<ul style="list-style-type: none"> • Clear and transparent governance process • Due diligence and monitoring process put in place • Spreading investments over a range of financial mechanisms

6.3 What is the impact on the organisation?

- 6.3.1 There will be no direct impact on staffing resources. If it is decided at a later date, the only implication will be the appointment of a Fund Manager or external support to supplement skills and capacity of due diligence activities.

6.4 Equalities / EIA

- 6.4.1 The Coventry Investment Fund will be open to all businesses and investments within the Coventry Area and a number of businesses in the Warwickshire area that benefit the residents of Coventry. No equality impact assessment is required as the recommendations do not constitute a change in service or policy.

6.5 Implications for (or impact on) the environment

- 6.5.1 It is more than likely that investment through the CIF will result in the creation of new buildings that will be required assessed under BREEAM, and will reduce the City's carbon emissions having an overall positive impact on the environment.

6.6 Implications for partner organisations?

- 6.6.1 The CIF is Coventry Council's core financial investment into the growth and development of the sub regional economy. With a focus and specific investment within Coventry there is no doubt that the impact will be across the Coventry & Warwickshire LEP area. Neighbouring LEP area local authorities Leaders and Chief Executives have been made aware of Coventry's proposals to set up the CIF. If they choose to, they can align themselves to the CIF with their own funds utilising the systems and processes already established.

Report author:**Name and job title:**

Andy Williams, Resources & New Projects Manager

Directorate:

Place Directorate

Tel and email contact:

024 7683 3731

andy.williams@coventry.gov.uk

(All queries should be directed to the above person)

Contributor/ Approver name	Title	Directorate	Date doc sent out	Date response received or approved
Contributors:				
David Cockroft	Assistant Director, City Centre & Development Services	Place	20/8/13	4/9/13
Richard Moon	Senior Development Executive	Place	20/8/13	22/8/13
Graham Simpson	Business Investment Manager	Place	20/8/13	20/8/13
Sarfraz Nawaz	Finance Manager	Resources	20/8/13	2/9/13
Michelle Salmon	Governance Services Officer	Resources	4/09/13	4/09/13
Carol Bradford	Locum Legal Officer	Resources	23/8/13	4/9/13
Names of approvers: (officers and Members)				
Clarissa Evans	Commercial Team Manager, Legal Services	Resources	20/8/13	4/9/13
Lisa Commane	Assistant Director, Special Projects Finance	Resources	20/8/13	23/8/13
Nigel Clews	Acting-Executive Director, Place	Place	3/9/13	6/9/13
Councillor Kelly	Cabinet Member (Business, Enterprise and Employment)	-	9/9/13	9/9/13
Councillor Gannon	Cabinet Member (Strategic Finance and Resources)	-	9/9/13	9/9/13

This report is published on the council's website: www.coventry.gov.uk/councilmeetings

Appendix 1 - Coventry Investment Fund Board

PROPOSED Terms of Reference

Background:

The Coventry Investment Fund has been put in place to invest in real growth opportunities right the way through from manufacturing businesses to retail businesses, leisure services and road improvements and include the development of the Council's commercial property portfolio, with a view to getting the best return possible from it's assets.

Purpose of the Fund:

To grow Coventry Business Rates and achieve economic benefits for its citizens.

Status of the Board:

The status of the Board will be as a Cabinet Committee.

Purpose of the Board:

The Investment Fund Board will be advised on potential growth opportunities and financial instruments the Council can use. The Board will make decisions on what opportunities to fund.

Scope of the Board:

- To develop , monitor, review and amend an investment strategy for the Board provided that it is in line with the Council's priorities and any other relevant policies and strategies.
- Review growth and investment opportunities that will grow Coventry business rates
- Review all the potential returns on investment from each case;
- Receive businesses cases for council investment;
- Authority to approve funding for grant investment of up to £1million
- Authority to approve funding for other investments of up to £2million;
- Recommend to Cabinet and Council investment opportunities above these limits for approval.
- Receive and approve due diligence reports and monitor the outcomes of investments made from the fund;
- Ensure the fund is operated in a transparent, fair and consistent manner and to this end to develop, approve and publish the criteria that will be used to assess and evaluate applications for investments.

Criteria for Investment:

All growth opportunities must meet the strategic fit of the Council and the Coventry and Warwickshire Local Enterprise Partnership. Each applicant must have the appropriate financial standing in order to receive a financial intervention. Bids that do not meet these basic criteria will not be taken forward.

Membership:

The membership of the board is proposed to be:

- Cabinet Member for Business, Enterprise & Employment (Chair)
- Cabinet Member for Strategic Finance & Resources (Deputy Chair)
- Leader of the Council

Appendix 1 - Coventry Investment Fund Board

PROPOSED Terms of Reference

Advisors to the Board:

- Executive Directors, Resources and Place
- Assistant Directors, Resources and Place

The Board will invite, as appropriate, external advisors with professional expertise to sit on the board or be involved in ensuring the Board understands the investment options and reaches satisfactory due diligence in its decisions.

Quorum:

The Quorum for the meeting will be three. Board members are able to nominate alternative Cabinet Members to attend if substitutes are required.

Decision Making:

Decisions will be decided by a majority vote with the Chair having the casting vote.

Frequency of Meetings:

The Investment Board will meet monthly or more frequently as is needed.

Reporting to Cabinet and Council:

Cabinet and Council will receive an annual report on the Fund's investment portfolio.