
Cabinet
Council

17 March 2015
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Name of Cabinet Member:

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

Director Approving Submission of the report:

Executive Director, Resources
Executive Director, Place

Ward(s) affected:

All

Title:

Coventry Investment Fund

Is this a key decision?

Yes- It has potential to affect all wards within the City and expenditure is in excess of £1m.

Executive Summary:

The Coventry Investment Fund (CIF) 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 including the development of the Council's commercial property portfolio, with a view to getting the best return possible from its assets.

The Council is currently in negotiations with a number of potential investors that have the potential to generate jobs and boost the local economy. As a result of these negotiations a number of new deals may emerge which are aligned with CIF objectives.

Recommendations:

Cabinet is requested to recommend that Council:-

- (1) Approve an increase to the delegated authority for the CIF Committee allowing individual grant and loan awards up to a maximum of £5 million
- (2) Where the recommendation to the CIF Committee is to determine an individual grant or loan in excess of £2 million and up to a maximum of £5 million then require an additional two Cabinet Members to be determined by the Leader of the City Council become

members of the CIF Committee (making five in total)

- (3) Approve that Cabinet are delegated authority to determine an individual grant or loan in excess of £5 million up to a maximum of £10 million
- (4) Recommendations (1) to (3) will remain in place for a period of 12 months after which the previous and original financial approval thresholds for the CIF Committee will be restored to £1 million for grants and £2 million for loans

Council is requested to:-

- (1) Approve Recommendations (1) to (4) above from Cabinet

List of Appendices included:

None

Other useful background papers:

Growing Business Rates through Creating the Coventry Investment Fund, 3rd December 2013
<http://internaldemocraticservices.coventry.gov.uk/documents/s13783/Growing%20Business%20Rates%20Through%20Creating%20the%20Coventry%20Investment%20Fund.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- 17th March 2015

Report title: Coventry Investment Fund

1. Context (or background)

- 1.1 In 2013 the Council created the Coventry Investment Fund (CIF) to invest in real growth opportunities right the way through from manufacturing businesses to retail businesses, leisure services, road improvements and including the development of the Council's commercial property portfolio, with a view to getting the best return possible from its assets.

2. Purpose of CIF

- 2.1 The simple purpose of the fund is 'to grow Coventry Business Rates and achieve economic benefits for its citizens'.
- 2.2 The fund is one of last resort designed to complement other funding opportunities available to business, and meet a 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 in accordance with its statutory powers.

3. Key elements of the Fund

- 3.1 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.
- 3.2 The fund also has the ability to support the Council's emerging commercial property strategy through acquisitions and the development of property to generate business rates.
- 3.3 The fund has 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.

4. Governance

- 4.1 There is a need to balance the speed of decision making which private sector partners require with robust governance. Therefore, an Investment Board is in place in the form of the CIF Cabinet Committee ('CIF Committee') to review business cases and make decisions on projects in which to invest, the level of financial investment the Council will make, and the type of investment. It also tracks the impacts made by the Fund.
- 4.2 The membership of the CIF Committee is currently comprised of Cabinet Member for Business, Enterprise & Employment (Chair), Cabinet Member for Strategic Finance & Resources (Deputy Chair) and the Leader of the Council. The members are supported by the Executive Director, Resources and Executive Director, Place, who advise the CIF Committee and make recommendations.
- 4.3 The CIF Committee provides an annual update to Cabinet on its activities, investments made, performance and monitoring.

5. Options considered and recommended proposal

- 5.1 The Council is currently in negotiations with a number of potential investors that have the potential to generate jobs and boost the local economy. As a result of these negotiations a number of new investment opportunities may emerge which are aligned with CIF objectives.
- 5.2 The possible investment decisions are highly sensitive and commercial, and confidence and certainty of tight decision making timelines has to be given to investors early in the process. Through the CIF Committee the Council is able to show its commitment to these investors. However there is a risk that the Council is currently unable to move swiftly enough to engage in negotiations with these investors who often work to very demanding timescales. Decision making processes within the Council move at a pace that is not in line with the market and Coventry may continue to lose out on significant investment opportunities.
- 5.3 To address this emerging issue, and to ensure that the Council's CIF remains an effective tool in growing the local economy with game changing investment the Council is recommended to respond to the market and temporarily increase the delegated authority for the CIF Committee and the Cabinet to make investment decisions.
- 5.4 The investment limits increases proposed mean that individual grant and loan awards rise from £1m for grants and £2million for loans to £5m for both to the CIF Committee. Any decision seeking approval above £2 million would require an additional two Cabinet Members on the CIF Committee. The additional two members to be determined by the Leader of the City Council. In addition, authority is sought to enable Cabinet to determine individual grants or loans over £5 million and up to a maximum of £10 million. The proposals contained in this paragraph are recommended for a temporary period of 12 months. After this time the current and original CIF Committee approval thresholds will be reverted to.

6. Results of consultation undertaken

- 6.1 The business investment market is constantly changing and since CIF was launched in January 2013 there have been a number of positive opportunities for investment which the CIF has sought to take advantage of. However it is clear from the first 12 months of operating the CIF through feedback from business and investors that there are a number of opportunities that the Council could engage with but it needs more agile, flexible mechanisms that can respond.

7. Timetable for implementing this decision

- 7.1 Immediately- If the recommendation is agreed.

8. Comments from Executive Director, Resources

8.1 Financial implications

- 8.1.2 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 Board has to date approved £15m of the CIF for investments leaving £35m available for investment.

- 8.1.3 Any new business rates generated from the proposed financial investment should contribute towards balancing the Council's challenging medium term financial position.
- 8.1.4 New business rates generated from any financial investments if any that are provided outside of Coventry but within Warwickshire, will also benefit Coventry through the business rate pooling arrangement in place.
- 8.1.5 Each intervention from the CIF will be assessed against the principles 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.

8.2 Legal implications

- 8.2.1 There are no legal implications arising from this report. There may be legal implications on any loan or grant that the CIF Committee or Cabinet decide to make but this will be on a case by case basis. Where any implications do apply they will be referred to in the report to the CIF Committee or Cabinet.

9 Other implications

9.1 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)?

- 9.1.2 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 the city.

9.2 How is risk being managed?

- 9.2.1 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 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 • CIF Committee / Cabinet membership at the right level • Ability to call the committee together as needed in order to make responsive decisions
2. 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 investor before application • Deliverability key criteria of the evaluation • Due diligence and monitoring process tried and tested

Risk	Mitigating Action
	and applied to CIF <ul style="list-style-type: none"> • By conducting due diligence and scrutinising each bid the risk can be minimised
3. Investors 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
4. 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
5. 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

9.3 What is the impact on the organisation?

There will be no direct impact on staffing resources.

9.4 Equalities / EIA

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 or relate to a specific proposal.

9.5 Implications for (or impact on) the environment

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.

9.6 Implications for partner organisations?

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.

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