

Report to:	Cabinet
Date:	15 November 2017
Title:	An Investment Programme for Cornwall (Delivering homes, jobs and infrastructure for communities and places)
Portfolio Area:	Planning and Economy
Divisions Affected:	All
Relevant Scrutiny Committee: Economic Growth and Development	
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Approval and clearance obtained:	Y
For Cabinet and delegated executive decisions only	
Key decision? (\geq £500k in value or significant effect on communities in two or more electoral divisions)	Yes
Published in advance on Cabinet Work Programme?	Yes
Urgency Procedure(s) used if 'N' to Work Programme?	N/A
Date next steps can be taken	30th November 2017

Recommendations:

On 26th July 2017, Cabinet resolved to promote and support the Cornwall Local Plan and Strategic Economic Plan, through direct public sector involvement in development and growth. It was requested that work be progressed to develop an appropriate investment and development programme.

In this context

A. It is recommended to Council that:

1. The vision and objectives for the proposed Investment Programme as set out in Section 9, be endorsed.

2. The scale of the proposed Investment Programme, as set out in Section 11 of this report, be endorsed.
3. A proposed increase of £70million to the Capital Programme, as set out in section 12 below, be approved.

B. It is recommended to Cabinet that

4. In accordance with Cabinet's decision of 26th July 2017, an annual business plan for the Investment Programme will be presented for approval.
5. The financial assumptions and principles, as set out in Section 11, below, are approved.
6. The proposed project selection criteria, as set out in Section 10 are endorsed in principle.
7. The assurance processes that are described in sections 11 and 15 are endorsed.
8. That projects or programmes within the overall financial scope of the agreed annual investment and delivery plan will be subject to a detailed business case, to be submitted for approval to the relevant Strategic Director/ Portfolio holder/ or Cabinet in accordance with the current Constitution and Scheme of Delegation, or further delegations, as agreed by Cabinet, when the annual investment and delivery plan is approved.
9. That projects and their associated business case will be in the form of individual projects, subject based programmes or a portfolio of place related projects. Their business cases will be considered in the context of the vision, objectives and financial principles of the overall Investment Programme.
10. From April 2018, a £2m revenue budget is established to finance the development costs of the investment programme that cannot be capitalised, formed by top slicing the existing capital financing budget.
11. The provision of transitional funding of up to £2m, for the delivery of existing and previously agreed projects ahead of 31st March 2018 and to be sourced from the Economic Development match fund, is agreed.
12. The Economic Growth and Development Overview and Scrutiny Committee be asked to consider alternative approaches to governance of the programme which can then be considered by Cabinet in due course.
13. A proactive approach to government and other agencies and

partners to seek their investment alongside the Council for the overall benefit of Cornwall be encouraged.

1. Executive Summary

This report builds upon the principles for a new Investment Programme agreed by Cabinet at their meeting on 26th July 2017, which looked to establish a step change in the level of investment proposed within the Council's budget, to invest in and the direct public sector delivery of homes, commercial space and supporting infrastructure.

The strategic case for this is both in terms of delivering the development and infrastructure Cornwall needs as well as creating investments that will give the Council a revenue return to support vital services. It is argued that taking a commercial interest in development the Council will be able to improve the quality of new places and directly invest in the supporting social infrastructure such as health care facilities and schools. The Investment would support a target to be the largest provider of affordable homes of all Council's (we are currently 3rd).

The report seeks approval from Cabinet and Council for the scale of the Investment Programme, circa £600 million in the medium term and for the associated financial and funding principles. The main principle and intent is that the programme is entirely financial self-sustaining and that in the medium to long term it will generate significant revenue returns to the Council to support vital public services. It will be funded by debt and will not impact currently on vital council spending. The Council will actively seek grants and investment from others to increase the benefits for Cornwall. Investment will be focussed locally and using local business wherever possible to give the most benefit to the wider Cornwall economy.

Investments will focus on delivering the homes, commercial space and social infrastructure needed to fulfil the Cornwall Local Plan and Strategic Economic Plan. The vision, objectives and selection criteria are set out for endorsement.

The report looks to the work of the Council's Economic Growth and Development Overview and Scrutiny Committee and their report of the 1 November 2017. The report recognises that there will need to be an investment in skills, capacity and expertise.

The report recommends a programme approach to the financial return of investments. It is proposed that we establish an environmental code of best practice for our development, that we become the number one Council for delivery of affordable housing and that the programme is place focussed.

Strong governance is recommended through the submission for approval of the annual investment programme each February to be reported alongside the current capital programme. There is a requirement for individual project/programme business cases to be delegated, in accordance with the

Council's scheme of delegation or specific delegations from Cabinet. It is recommended, that Cabinet asks the Economic Growth and Development Overview and Scrutiny Committee to consider alternative approaches to governance which can then be considered by Cabinet in due course.

The report sets out examples of the types of projects that will be undertaken and acknowledges that a lot of activity is already being undertaken across Cornwall. There is a request that transitional revenue and capital funding is agreed to ensure that our activity can continue prior to the first annual business plan being reported in February 2018.

2. Purpose of Report

The report builds upon the case for an Investment Programme and upon the principles for the programme agreed by Cabinet at their meeting on 26th July 2017.

At the meeting of 26th July it was agreed, in principle, to establish a step change in the level of investment proposed within the Council's budget, to invest in and the direct public sector delivery of homes, commercial space and supporting infrastructure.

The full resolution is set out in Appendix 1

Approval is sought to establish a ten year Investment Programme within which there will be a medium term detailed programme and an annual investment and delivery plan.

It is intended to feed into the budget setting process for the Medium Term Financial Plan from 2018-19 onwards and review this on an annual basis, setting out the next year's investments.

It is also intended to seek approval for the scale of the Investment Programme and the vision and objectives for this programme, alongside appropriate selection criteria.

This report seeks to give appropriate assurance to agree the overall proposal at a strategic outline level, that each year's annual investment and delivery plans are proposed and approved by Cabinet and Council alongside the capital programme. That detailed project, subject based programmes or place related project portfolios will be approved through the Council's rigorous process, including technical scrutiny, and will be subject to approval, in accordance with the constitution and scheme of delegation, by the relevant Strategic Director, Portfolio holder or Cabinet.

It is proposed that approval of the vision, objectives and decision making criteria, as well as each year's annual plan, will allow Members to set the strategy, direction of travel and oversight of the associated projects to be delivered – as well as appreciate the overall programme performance for the previous year(s).

It is critical to note that the proposed Development and Investment Programme will not draw from the Council's current revenues, as are necessary for service

provision. Indeed, in the medium and long term it will become a significant net contributor to the Council's funding of services.

3. The Strategic Case and Context

3.1 The Strategic Case

The proposal in this and the earlier July 2017 Cabinet report is for the Council to work in a very different way to how it has worked in the past. Whilst the Council has undertaken elements of what is now being proposed, it has never put these together as an overall approach and programme. In respect of delivery of development, it has largely relied upon private sector delivery and grant funding to intervene in poorly functioning markets. In respect of investments, these have not been made with the specific purpose of making a strategic revenue return to fund Council Services.

There are two main reasons for the proposed approach:

1 - The Financial Case

The Council is currently setting its medium term financial plan and this is based upon the need to make financial savings in each of the following four financial years. Over this period and because of the reduction in government grant, the Council will become completely dependent upon tax revenues and income sources.

This proposal is to use the opportunity of historically low borrowing costs to undertake development and make property and financial investments, which will:

- Make a financial return that pays back the costs of the development/investment, as well as providing a further financial return to the Council. This financial dividend will support essential Council services;
- In the medium and long term, this financial dividend will become a significant source of additional income for the Council, protecting services;
- Investment in homes and business space will also provide an increase in tax revenues, further helping the financial standing of the Council. The programme proposes to accelerate the delivery of the Cornwall Local Plan, bringing in more tax receipts earlier than would otherwise happen.

2 - The Development Case

New development in Cornwall is necessary and essential. There is a need to invest in development both for the renewal of homes and business growth as well as meeting the needs of our growing economy and growing population. We have a relatively poor stock of commercial space; some in great need of renewal. We also have a significant amount of homes (36%) in very poor condition. On average, there are 4000 (net) more people in Cornwall each year and the size of each household is getting smaller due to trends in divorce and separation. In addition, affordability of commercial rents, housing rents and high house prices (average house price is 9x average annual wage) means that we are not meeting our economic potential and large numbers of people are forced into poor quality housing or having to find alternative places to live. (We believe

there are at least 2000 people living in unauthorised caravans and buildings across Cornwall). The private market is not working for everyone.

The majority of development over the last decade has been driven by speculative proposals, based upon opportunity rather than planning. Whilst some of this has been excellent, some has been average or poor. Opportunity led development means that the money generated from development for infrastructure is dissipated and not available in the places where it is needed most. Indeed, it also places pressure in places where investment in public infrastructure is less likely to take place. Poor quality development imposed on communities is often not welcome.

The Cornwall Local Plan is the Council's adopted strategy for the spatial distribution of the growth, needed to meet the needs of residents and businesses in Cornwall. Since adoption, in November 2016, we have been able to turn a corner in establishing a plan led approach, but the planning system is still inherently weak. Indeed, notwithstanding the number of permissions granted, the government measures our success in terms of the number of homes built. If we rely entirely on the private sector, we are at risk of under delivery, the consequent loss of our 5 year housing land supply (a technical assessment of homes built against those planned) and therefore, the forced loss of our housing policies and a return to speculative applications. This report argues that both the quantity and the quality of new development would be significantly enhanced if the Council were to take a commercial role in bringing some new development forward.

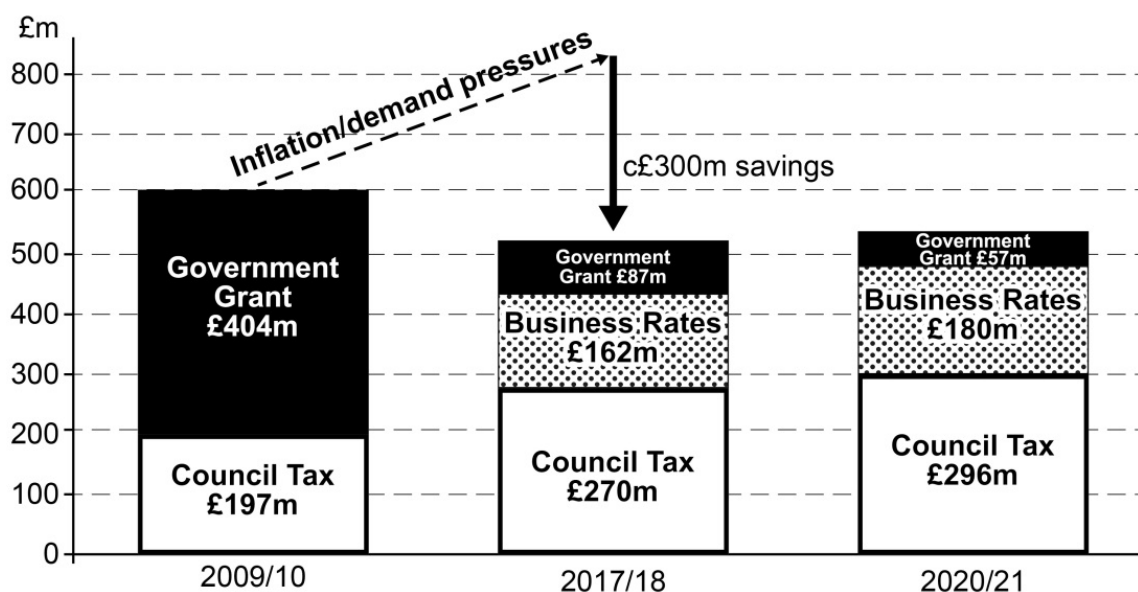
The **Financial Case** and **Development Case** are explored in more detail, below.

3.2 The Financial Case. Revenue pressures and future financial support for Services.

The Council is currently setting the Medium Term Financial Plan, from 2018/19 to 2021/22. We are facing significant budget pressures and these are always key drivers for change and innovation.

DCLG and other Local Authorities are working on the assumption that the revenue grant will be removed entirely by 2020/21.

Current budget discussions with Cornwall Council Members have proposed that by 2020/21 the level of total government grant funding will have reduced to £57m.



Investment that gives a future financial return can protect front line services. Whilst the nature of this investment programme is that there is a relatively long lead in time, there is a simple proposition: future Administration's will be thankful that we had the foresight to make long term revenue; raising investments and protecting and possibly growing the vital services that our communities will need.

Earlier delivery of homes and commercial space will bring earlier and greater cumulative increases in Council Tax and Business Rates, as well as New Homes Bonus. Investment in other opportunities that generate a potential financial return, such as in energy generation or other commercial investment, would be considered, particularly where they also result in additional benefit such as environmental growth and social impact (such as an increase in jobs).

The current MTFP is based upon average annual levels of growth in the Cornwall Local Plan. Delivering additional homes earlier will bring the proportionate increased revenue which creates a cumulative year on year improvement for Council finances. There is a net revenue improvement from growth.

A range of funding options will be sought and these are discussed later in this report. It is crucial that the programme as a whole is financially self-sustaining, creating a revenue stream back to the Council. We may need to be more commercially orientated earlier in the programme, but in all cases it is proposed that investments will seek to deliver social, economic and environmental, as well as financial, outcomes.

With thought and careful planning, cross-subsidy within the programme can be used to deliver projects with wider impacts, which are not self-financing in their own right, where it is necessary for a wider intervention to take place.

3.3 The Finance Case: National Context for Investment and Revenue Generation.

The Department of Communities and Local Government has an expectation that Local Authorities should become more entrepreneurial, with a view to becoming largely self-financing. The sector response to this has been dramatic. In 2016 Local Authorities invested over £1.2bn on real estate. The House of Commons Public Accounts Committee has noted a reduction in revenue spending on service since 2010-11, whilst capital spending has increased in real terms, the record that in 2014-15 Local Authorities spent £38.1bn on revenue and £12.3bn on capital (excluding education). Most notable has been a change in the purpose of capital spending, with Authorities increasingly using their capital programme to generate revenue returns, rather than solely to provide services. The press have cited the district Council of Spelthorne as a case in point. They have invested £377.5m of borrowing into the purchase of a business park.

The House of Commons Public Finances Committee reported in November 2016¹ that they were concerned about the changing profile of Local Authority capital spending. They identified an increasing trend within local authorities to make commercial investments, rather than to invest in more traditional assets, such as libraries and parks. They recognised that this was a response to reduced revenue budgets and the expectation from the Department of Communities and Local Government for Authorities to become more entrepreneurial, alongside an expectation that Local Authorities become largely self-financing.

Concern has been raised about the risks this may pose; in particular:

- Where authorities lack commercial skills and experience;
- The impact of poor commercial decisions on the tax payer.

The National Audit Office² recognises a trend in local government spending since 2010-11 that has seen the reshaping of capital spending to activities that reduce revenue costs or generates additional income.

In this **context** the proposed investment plan includes a mixture of proposals, including commercial acquisitions of land and buildings; as well as direct delivery of homes and workspace. This means that we will be exposed to a range of risks associated with such direct delivery (development risks).

The Local Government Association published a document entitled 'Enterprising Council's Supporting Council's Income Generation Activity,' based upon a number of case studies.

APSE (the Association for Public Service Excellence) published a document in July, entitled "Bricks-Mortar-Money: Property Investment as a potential means of securing and additional and sustainable source of revenue."

It demonstrates that there is no uniform approach in terms of strategy or scale and that there is a significant range of investment either in gross terms or in proportion to the rest of the balance sheet.

¹<https://publications.parliament.uk/pa/cm201617/cmselect/cmpubacc/708/70802.htm>

² <https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

It acknowledges that the drivers are not purely for the financial sustainability or income, but also the “urge of local leaders to shape their communities.” It notes that there are one or two authorities who have made single investments of £250m or more, but that most authorities active in this area have invested between £10 and £100m and these have been typically for new assets to the estate, rather than investment in the existing estate.

It highlights the key risks as being exposure to very significant individual assets in single investment categories, in some cases, investment in property that is disproportionate to the rest of the balance sheet and lack of experience to manage the commercial risk involved.

It recommends that Councils who wish to pursue this activity should:

- Review their current estate – it introduces the term “tenanted non-residential property” or “TNRP.” It notes CIPFA benchmarking highlights cases where costs of managing this sort of property exceeds the income. It makes a clear distinction between Investment assets, held purely for rental income or capital appreciation and other TNRP assets, held for reasons ranging from job creation, sustainable communities and regeneration of commercial viability of a town centre.
- Measure cost and performance of existing investments assets. It highlights the issue of hidden costs of management in support services which are not properly apportioned as an overhead of running the relevant properties.
- Set a Strategy including acceptable yields and investment proportions.
- Agree a geographical search area and scope.
- Agree the funding to be made available, in accordance with normal Treasury Management Codes (which prioritise in the following order security, then liquidity and finally yield – i.e. the capital is secure, the asset can be liquidated when required with confidence, and only once those tests are satisfied should yield be considered).
- Review skills and capacity to manage the assets proposed to be acquired.
- Delivery models. The report sets out three scenarios – utilisation of existing in house resources, strengthening and refocussing resources (including moving to wholly owned companies), or accessing pooled investments.
- Assess risk.
- The report states that the most active Councils have increased delegations to facilitate the quicker decision- making required for typical acquisitions.
- Continue to review and adapt.

The surveys that underpin the report showed all responding Councils had an investment portfolio, 6 held property outside of their area and 5 were pursuing the investment purely to support their revenue budget. The values of the portfolio ranged from £1.5m to £200m, the numbers of assets ranged from 5 to 2000, and the income ranged from £145,000 to 11m. It does not say what the sample size is. The report then sets out a series of case studies.

3.4 The Council's Economic Growth and Development Overview and Scrutiny Committee, (EGD OSC)

The EDG OSC established a task and finish group to work in parallel with the development of this report, following the decision of Cabinet in July. The task and finish group based its research on national evidence and held an enquiry day where they talked to witnesses from the Local Government Association and Warrington and Eastleigh Councils, as well as internal witnesses and external partners. Grant Thornton attended and gave evidence. Their report was discussed at the Overview and Scrutiny Committee on 1st November 2017. A link to the report can be found, below:

<https://democracy.cornwall.gov.uk/ieListDocuments.aspx?CId=1200&MId=7609&Ver=4>

The report has helped shape the proposals being made. Their main recommendations are set out, below:

EGD Overview and Scrutiny Recommendations

1. The principle of a significant increase in development investment by Cornwall Council, to maximise revenue and deliver benefits to Cornwall that are becoming harder to fund in traditional ways, should be endorsed.
2. The rationale for extra investment must be transparent and flexible, particularly in terms of those projects that do not meet current Treasury Green Book levels of return.
3. The programme should consist of different types of investments, such as those that will make a commercially viable return and those that achieve desirable outcomes (including environmental benefits) for Cornwall but cover their costs or make smaller returns.
4. The Council must ensure it has the skills and culture to implement the scale of the agreed programme.
5. Mechanisms for governance and democratic accountability must be in place and understood for the whole programme, with an ability to act quickly on individual projects where necessary.
6. A clear understanding is required of how the socially/economically desirable investments (that cover costs or make small returns) can be funded.
7. An overarching funding package should be created to support the programme.
8. The Council should consider how it can borrow for capital expenditure, which can be used for loans.
9. Workspace and other economy and environment driven investments must be a key part of the new programme
10. The programme and practice should ensure it aligns with Cornwall's Environmental Growth Strategy and seek to minimise damaging impacts.
11. The Council should use the programme to significantly increase the delivery of affordable housing.
12. The Direct Housing Development Programme (with its emphasis on providing quality private rented homes) should continue, provided it can be shown to generate a commercial income and/or social benefit for the Council.

13. Joint ventures with delivery partners (such as the Cornwall Land Initiative with Galliford Try) should be expanded to share risk and to increase investment capacity.
14. Any investment outside Cornwall should be treated with great caution.
15. The programme must be sustainable in the long term.
16. The new programme should aim to align with and deliver priorities emerging in work being undertaken in many towns.
17. The ability to invest needs careful communication, with strong advocates.
18. The Portfolio Holders be required to attend a meeting of the Economic Development and Growth Overview and Scrutiny Committee in twelve months' time to report back on the implementation of the programme and the recommendations arising from this inquiry.

In response to their recommendations this report sets out an ambitious scale and wide ranging portfolio of investments, a clear set of objectives and proposed selection criteria. The report recognises that there will need to be an investment in skill, capacity and expertise. The report recommends a programme approach to the financial return of investments, which will be funded from borrowing, as described in the report on this agenda, referring to the Medium Term Financial Plan. There is a focus on housing and commercial investments, as well as the infrastructure to support these. It is proposed that we establish an environmental code of best practice for our development, that we become the number one Council for delivery of affordable housing and that the programme is place focussed.

Strong governance is recommended through the submission for approval of the annual investment programme and the requirement for individual project/programme business cases that will be delegated, in accordance with the scheme of delegation or specific delegations from Cabinet.

It is recognised that the Overview and Scrutiny Committee have heard evidence from successful Council's in respect of investment programmes, that they have put in place specific processes for the effective and speedy determination of detailed business cases for individual investments. These have included both political and technical scrutiny including making sure that the programme wide return from investments is being made. This report currently relies upon the existing governance and technical arrangements in order that progress continues whilst appropriate alternatives are explored. It is recommended, that Cabinet asks the Economic Growth and Development Overview and Scrutiny Committee to consider alternative approaches to governance which can then be considered by Cabinet in due course.

3.5 The Development Case: Delivering the Cornwall Local Plan and the Strategic Economic Plan.

The Council adopted the Cornwall Local Plan in November 2016. The aim of this proposal is for the Council to take a lead in delivering the local plan through direct project delivery and investments as well as the reactive regulatory role through the submission of planning applications.

The Cornwall Local Plan determines the quantity of new jobs and new homes (38k and 52.5k respectively) needed in Cornwall between 2010 and 2030. The

context for this is that the population of Cornwall is growing by about 4000 net additional people each year.

To deliver the plan we will need a different way of working. Whilst we recognise that we have great staff and we are using all of the resources currently at our disposal, we will need to upskill our current workforce and supplement it with specialist expertise to implement this new strategy.

We have been discussing proactive and direct delivery of development since the Planning Peer Review of January 2016. We have discussed the potential benefit from this during a series of member workshops and through visits undertaken by the previous Planning Portfolio Holder to all Community Networks, as well as an all Member Planning Conference, in September 2016, called 'Growth on Cornwall's Terms.' Since the beginning of the current administration, there has been ongoing work with the new Economic Growth and Development Overview and Scrutiny Committee, which has established a Task and Finish group looking at this specific proposal.

The Cornwall Local Plan is the Council's spatial expression of the Council's priorities; the plan has to be read as a whole and clearly aligns our ambition for sustainable growth in accordance with these.

In Planning Policy terms, we need to **deliver** the Cornwall Local Plan to retain control over our housing policies and those being produced by our communities in their Neighbourhood Plans. With control comes a **quality** of development that surpasses that provided by speculation. By delivering houses in line with the Cornwall Local Plan, we are providing much needed housing, an increased proportion of which would be for **local need**. We will be focussing **infrastructure** costs on those areas where our communities expect to see development and not diverting those costs on servicing speculative housing estates.

Cornwall Council's initial delivery priorities within the **Cornwall and Isles of Scilly Strategic Economic Plan (SEP)** are broadly, already set and reflect the ongoing delivery against the current European and domestic economic programmes available to Cornwall. This builds on the Council Economic Growth White Paper and was adopted by the Council in January 2017. It is intended that the Strategy remains fit-for-purpose, deliverable and sustainable beyond the current known national and EU funding cycles, including Growth Deal, Structural Funds, Coastal, Cultural and Heritage-led funds.



In addition, the Cornwall Local Plan and Strategic Economic Plan both highlight an imperative to better align and deliver place-based economic development in order to achieve the targets set. This needs to be actioned in a way that maximises incentives for Government to co-invest with the public and private sector locally. Being clear about our delivery priorities will also support negotiation with Government in future opportunities, such as the Industrial Strategy and Shared Prosperity Fund.

We need to do more work on the spatial expression of the Strategic Economic Plan and understand how the provision of commercial development, such as workspace, in a modern context will align to town regeneration opportunities. We must consider the future of our Fore Streets, homes utilising space above shops to create a greater density of town centre residents and co-working spaces, as well as traditional business parks, offices and innovation centres.

This Investment Programme will focus on all of these future opportunities and align with non-income generating activity, such as skills, education and inclusive growth. This is critical as continued investment not generating a direct financial return (and thus not included within the proposed Investment Programme) is an important part of the impact of the programme. For example, ensuring that young people have careers advice and an education that meets business demand (and all ages in the local labour market have the right skills) will be linked to businesses being able to grow and improve their productivity/bottom line. This in turn will support business growth into new premises (provided through this programme) and a resultant increase in business rates growth (as well as wages).

4. Direct delivery of Homes Jobs and Infrastructure

This paper proposes a balanced portfolio of development and investment projects.

By developing earlier in the Cornwall Local Plan period we will be gaining from reduced borrowing costs and increased Council Tax base and grants, whilst protecting ourselves from accusations that we do not have a 5 year housing land supply and lack of sufficient opportunity for commercial growth (grow on space).

By investing in Cornwall, the income raised can be spent on the day to day services demanded by our residents. It will help to replace the grants that will diminish or even stop by 2021.

The proposed Investment Programme allows for the Council to transform, sustaining itself for the long term whilst actively shaping and promoting a confident Cornwall. It will also provide financial support for an expanded capital programme providing more infrastructure and investment in places than could otherwise be achieved.

4.1 Place Based Approach

It is critical that our interventions are at the heart of delivering for residents in different places right across Cornwall. Working alongside the Localism Team and aligning with both Community Networks and, where they are in place, local '*Place Shaping*' groups, proposals in the Investment Programme are intended to support the strategies and plans which are already identified and agreed by residents, within the context of our adopted strategies and evidence.

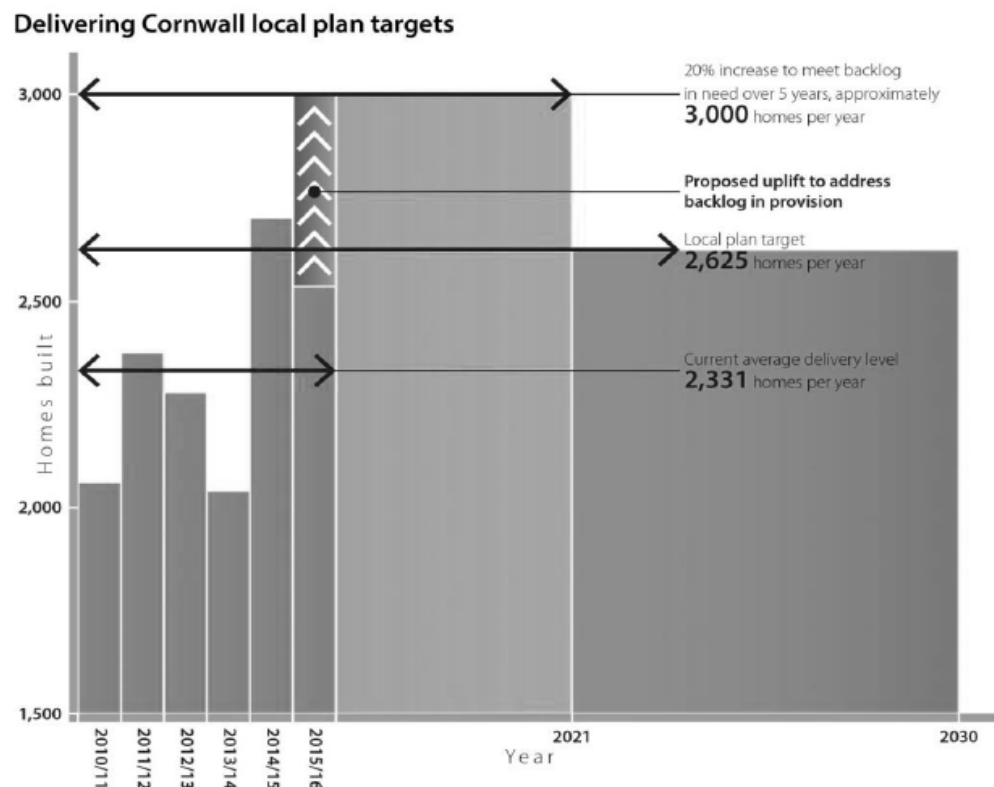
When considering proposals in each location a review of the performance and scale of existing Council assets will take place to inform the proposed investment decisions. This would accord with recommendation 4 of the Cabinet decision in July 2017.

The Cornwall Local Plan is based upon a distributive strategy providing homes, jobs and infrastructure in accordance with the needs of each community. Interventions will be different in each case, depending upon the needs of the place.

As an example, in Liskeard we are taking a lead role making crucial property acquisitions and we will need to support a town centre development project with substantial expert and technical capacity. In contrast, the St Austell Garden Village requires help to bid for and provide upfront infrastructure and we will be strong partners, with the possibility of some direct housing delivery. The diagram shows places across Cornwall where we are already involved in place based interventions.

4.2 Delivering Homes

The Cornwall Local Plan sets a target of 2,625 homes per year. The following graphic shows that between the 2010 start date of the Local Plan and 2016, there has been under delivery against this target. To catch up with this backlog and allow for future fluctuations in delivery we need to build a minimum of 3000 homes per year for 5 years, which we achieved for the first time in 2016/17, with 3,080 new homes provided.



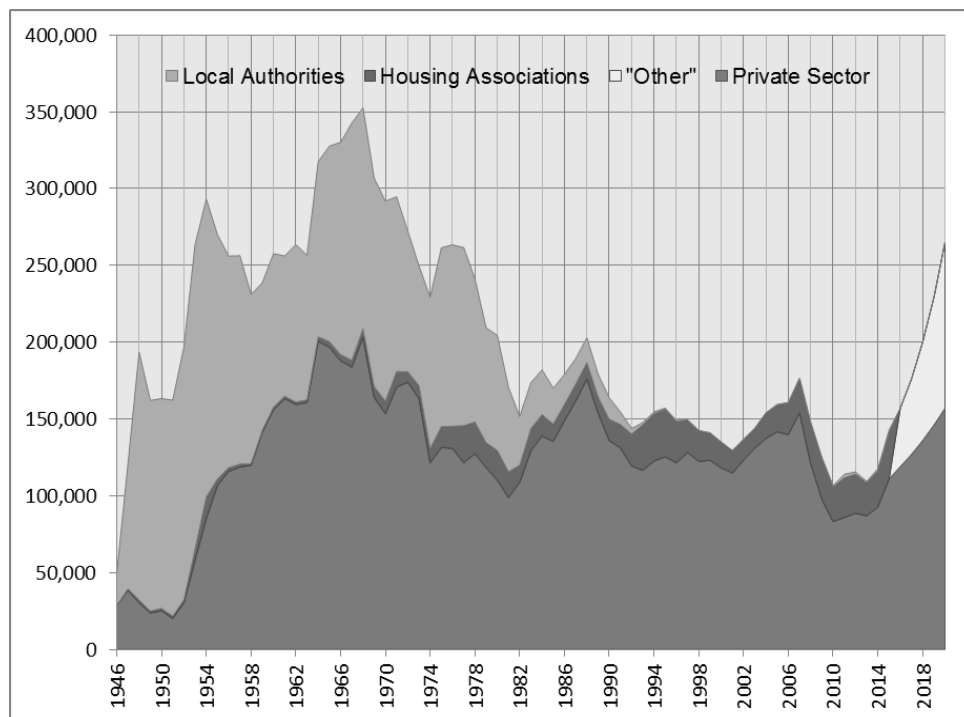
The current political administration has responded to the need to deliver more of the right homes by committing to the delivery of 1000 homes to be built by the Council. This Development and Investment Programme includes the proposed housing development programme, which is a financially sustainable build programme whose objective is delivering rented homes, at market rent and affordable rent levels, as well as additional affordable homes at proportions and types determined by the adopted policies of the Cornwall Local Plan.

The proposed housing interventions and projects will also include other projects, Joint Ventures, such as the current Cornwall Land Initiative, a self and custom build initiative and a programme for bringing empty homes and buildings back into use. The programme will also be able to fund acquisitions to provide further rented and affordable homes.

Cornwall has a significant over reliance upon care homes for older people; these often being inappropriate and not allowing older residents to lead independent lives. There is a consequential financial pressure on social care budgets. The programme includes a commitment to the delivery of 1000 new extra care homes to seek to reverse this position.

The new Investment Programme will co-exist with the Council's Capital Programme that funds additional homes, including rolling funds for Community Land Trusts and subsidy for additional homes with Registered Providers.

The following graph looks at the delivery of homes nationally, where it can be seen that the last time the country delivered enough homes each year to meet national need was between 1950 and 1974 when Councils were building significant numbers of homes. Cornwall's commitment to these housing interventions is essential to meet our residents' needs.



4.3 What will this programme mean in terms of delivering the homes we need?

The Development and Investment Programme will add to our current initiatives and funding, with a **clear ambition to be the top provider of affordable homes of all English Councils.**

The programme includes a number of different interventions to build more homes, to meet resident's needs both in terms of quality and price. Over the proposed first four years of this Development and Investment programme the combined number of new homes could reach 3,200 per year on average, dealing earlier with the housing needs clearly identified in our Local Plan.

4.4 Delivering Jobs

Overall, there has been good progress in the economic growth of Cornwall and the Isles of Scilly during the period since 2008. We have seen progress against some of our priority indicators, such as **Gross Value Added (GVA)**, which in 2015 stood at £9,911m up 4.1% of the 2014 total and compared to a UK growth rate of 2.9%.

Employment figures are rising steadily. The number of people in work now stands at some 247,700. However, whilst the trend is upwards, we still have a number of underlying issues, such as high rates of self-employed and low earnings.

At £17,873 our average **annual earnings** are significantly below the UK average (77.4%). A number of factors contribute to this, including part-time employment rates and a high percentage of those working in lower-paying, often seasonal sectors.

It is **productivity** which must occupy our focus as much as possible. The performance of Cornwall on all measures of productivity is weak. Data from the Office for National Statistics (ONS) suggest that GVA per filled job in Cornwall was 78% of the England-wide average in 2005, but it fell to 74% in 2014, again suggesting that Cornwall has fallen further behind over recent years. This “productivity challenge” has been identified across the whole of the UK, but in Cornwall it is accentuated.

Economic growth in Cornwall is guided by ‘Vision 2030,’ the Strategic Economic Plan. To achieve sustainable economic growth with a focus on driving competitiveness and sharing prosperity, a long term vision for Cornwall and the Isles of Scilly has been developed and agreed by partners in Cornwall, including by Cornwall Council and CIOs LEP. The ambition is that by 2030, Cornwall and Isles of Scilly will be the place where businesses thrive and people enjoy an outstanding quality of life.

Across all our interventions, three strategic objectives will guide our investments and frame the proposed activity in this programme:

- **Business – to achieve thriving businesses which excel at what they do.**
- **People – to achieve inclusive growth and improve the skills of our workforce.**
- **Place – to improve infrastructure and economic distinctiveness.**

4.5 What will this programme mean in terms of delivering the jobs and productivity improvements we need?

Cornwall’s economic performance is currently being limited by a lack of modern industrial and commercial premises. This is due in large part to the low levels of workspace development that have been historically delivered by non-public sector bodies in Cornwall. Low rents and difficult to deliver development sites contribute to the overall lack of private sector development activity and market failure.

A new circa £82 million Commercial Development Programme (to sit alongside the Housing Development Programme) is proposed and would include specific measures to accelerate the delivery of industrial and commercial workspace, through a series of identified priority schemes. This could see the creation of around 50,000m² of new commercial office, retail, manufacturing and warehouse space to support increased business rates and employment.

The Council’s investment in place shaping and new commercial investment is designed to leverage private sector capital, facilitate inward investment and deliver productivity-led business and employment/wages growth, with the medium to long term objectives of delivering enhanced revenue/commercial returns and business rate growth.

Potential investment delivery interventions include:

- Council direct delivery of sites and/or buildings – in response to identified demand or speculative investment, leading to 100% funding with returns in the form of rent and rates.
- Joint ventures/SPVs with private sector – in the form of providing all, or the majority of, the required development finance to leverage investment from local businesses wishing to expand capacity or set up additional business operations.
- Acquisition of landholdings and/or securing long term options on land for strategic, tactical or long term economic growth.
- Providing short term rental/lease guarantees to developers to encourage them to buy and develop land from CC (such as a 'long leasehold with building agreement' model).

Key objectives include:

- Delivery of physical workspace development to underpin Council strategies and future income.
- Satisfaction of latent and future occupier/market demand.
- Bringing forward land and property holdings for strategic and local needs.
- Facilitating the expansion and growth of existing businesses, as well as attracting new inward investment.
- Maximising co-investment from other public funding sources.
- Maximising private sector leverage.

Focusing on bespoke commercial opportunity rather than any speculative development would be a priority. Aligning with the needs of priority sectors, considering 'shared spaces' to support micro and small business growth, aligning business growth with the local workforce (e.g. through apprenticeships) and ensuring excellent digital connectivity as well as environmental quality would all be key drivers and considerations in this programme.

5. The Case for Vision versus Speculation

The Cornwall Local Plan includes a number of new large communities; notably in Truro at Threemilestone, Newquay at Nansledan, Saltash at Broadmoor Farm and St Austell at Carclaze Garden Village. The largest are in Newquay and Truro. The Newquay scheme is being led by a visionary land owner, the Duchy of Cornwall, and is taking strong commercial leadership to make sure that a new community is formed, the development is served by the infrastructure needed by its residents and that the quality of the development adds to the sense of place. In direct contrast, Threemilestone is being proposed by speculative developers who have purchased or gained options for the land. Despite a planning development brief for the area, we have ended up with a series of planning permissions, linked to, but not in harmony with each other. As an example, there are three separate proposals for small primary schools; none of which are financially sustainable on their own.

Land ownership and upfront funding of infrastructure would give the Council commercial levers to set and control how development comes forward in a way proven not to be possible through the planning system on its own. As an example, this Development and Investment Programme proposes that the Council should make commercial interventions at Threemilestone, to work collaboratively with landowners and developers to design and build a much better place than if we leave matters to the planning process alone.

6. Infrastructure to Support Communities

The Investment Programme has led to a comprehensive consideration of the infrastructure needed to serve the growth of Cornwall. The Investment Programme identifies the infrastructure needed. Some of this will be directly funded within the proposed programme; other parts will rely upon successful government bids and/or other monies to be found. A programme approach to delivering the Local Plan means that planning and delivery of infrastructure is as efficient as possible and that, wherever practical and financially feasible, infrastructure will be delivered earlier than would otherwise be the case.

Infrastructure includes transport, connectivity, health facilities, schools and utilities.

Connectivity includes transport and broadband connections. In the context of a long term strategy framework for transport, the programme includes proposals for improving connectivity and managing congestion, supporting the Local Plan growth and vibrant town centres, supporting modal shift and accessibility, improving safety, public health and encouraging healthy active travel.

Schools Pupil numbers have been increasing across Cornwall in an uneven way, some towns have struggled to provide sufficient school places. It is essential that school places match the number of children needing them and children can go to their nearby schools. **Health** Communities consistently tell us that access to primary care (including doctors' surgeries) is a priority. It is also one of the main concerns communities have about their ability to support growth. Pressures arise from the impact of growth on existing primary care facilities, or equally the sustainability of current facilities and their ability to continue even in their current form. The investment programme recognises the need to prioritise this infrastructure and ensure that opportunities are taken to protect current facilities and work with partners to develop those facilities. This could involve direct investment, securing external grants, protection of facilities through planning controls, or influencing timing of development to ensure that facilities are available at the right time. The programme provides visibility of these issues and an ability to plan for intervention.

7. Housing and healthy living environments, the positive impact on people's health.

There are clear links between good quality homes and people's health as evidenced in the Director of Public Health's Annual Report 2017. The 300 excess winter deaths each year are linked to inadequate warmth and insulation. Cold homes can also affect children's educational attainment. Mould and damp are

responsible for respiratory disease. Inadequate housing and overcrowding contribute to mental health problems.

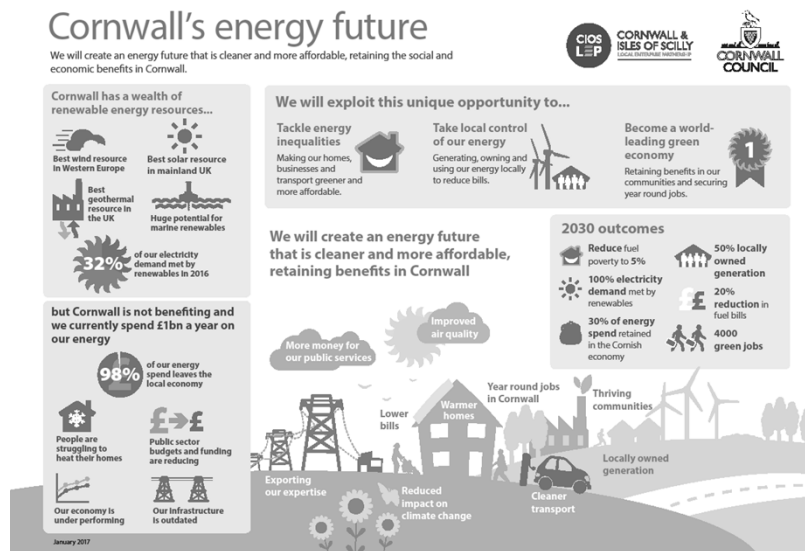
Good quality natural landscapes in urban areas reduce peoples' stress and sadness, lifts mood and makes us feel better. Well-designed spaces encourage healthier lifestyles, mental wellbeing and sustainable communities. They reduce pollution, flooding and noise.

This Investment Programme is aimed at improving the quality of homes as well as the green spaces which will form part of their environment. The proposed interventions will reap health benefits and reduced public costs associated with health into the future.

8. Environmental Growth

The intention is to ensure that the Council is seen as a leader in setting environmental standards for the proposed Investment Programme. Development can also be an opportunity to grow the environment, in accordance with the Council's adopted Environmental Growth Strategy. It is intended to put in place a code of environmental good practice, which will form the framework for all of our activity. The code will ensure we make a step forward in reducing the short term construction impact of development, reduce construction waste and contribute an overall reduction in the need for more energy. Schemes will also need to demonstrate best practice water management and a proposed net increase in overall biodiversity.

The Investment Programme would also align with the Council's low carbon ambitions within the Environmental Growth Strategy and the targets within Cornwall's Energy Future. The Investment Programme would support the creation of a Low Carbon Investment Fund to co-invest in commercial energy projects, develop new Council- owned generation/storage schemes (including at Enterprise Zones) and support buy back of existing generation. This is very much at an early stage of investigation, but the opportunity for Cornwall to lead both income generation and the economic impact through new business creation and inclusive growth through energy security and pricing could have a fundamental impact of Cornwall's economic future.



9. Vision and Objectives

In the context of the case being made for a proposed Development and Investment Programme, the following vision and objectives should drive the overall approach. The proposed vision and objectives are set out, below:

Vision

To deliver an investment programme that creates wealth through a range of investments that seeks to grow the economy; improve choice; and assist in the delivery of quality homes and jobs supported by essential infrastructure.

To directly provide a programme of Council owned homes for rent. To be the top provider of affordable housing of all Councils (we are currently number 3).

Objectives

1. Delivering our strategic priorities
 - To promote and support the delivery of the Cornwall Local Plan and Strategic Economic Plan, using proactive and direct public sector involvement to assist in the delivery of the growth required to meet Cornwall's needs
2. Creating value and wealth
 - Generate a programme approach that is underpinned by a financially sustainable model
 - Make long term investments where the benefits are captured locally, supporting communities and the local economy
 - Investments provide a return to the Council that justifies the risk and borrowing costs
 - Develop a diverse investment programme that allows cross subsidy across the programme to balance social, economic and environmental outcomes

- Stimulate the market; giving confidence to private sector investors
 - Address market failure
 - Maximising the opportunity from the public estate
3. Addressing the changing economic funding landscape
- Seeking external funding opportunities and maximising leverage
 - Explore Cornwall's future opportunities, supporting research and development.
 - Maintain Cornwall's reputation for delivery and strong relationships with Government and key partners
 - To work with the construction industry to explore ways to improve the supply chain and to promote innovation
 - Economic benefits captured locally (i.e. Local labour schemes, use of local SME contractors and apprenticeship/training schemes).
4. Place making- Improving quality and choice
- A greater range of choice of homes for local people, to meet a range of housing needs; especially those unable to buy a home
 - Reduce fuel poverty - energy efficient homes and workspaces that are cost effective to heat
 - High quality homes and places that are designed to promote the health, wellbeing and quality of life aspirations of local residents
 - Effective community engagement in shaping places
 - High quality workspace that meets existing and future need

10. Project Criteria and Selection

In the context of the proposed vision and objectives and in order to maximise the success rates of projects, there needs to be a rigorous and robust assessment and challenge. This would take place throughout the project development process and at each gateway. The most important gateway is the initial one, as this filters which concepts deserve exploration and feasibility work. In order to do this, effectively a set of criteria have been developed by the Council's internal Growth and Development Board; these are set out at Appendix 2. There are 5 key areas that are assessed:

1. Strategic fit
2. Deliverability
3. Growth /Social Value for money
4. Cornwall Council Value for money
5. Impact on deprivation and inequalities - Closing the gap.

These criteria are then weighted to reflect their relative importance, with strategic fit given the highest weighting. This reflects the need to create the greatest public benefit.

If the Council were to be looking at a purely commercial proposition, the criteria would be weighted more towards criteria 4.

It is proposed that these provide the guiding principles for all projects within the Investment Programme.

11. Finance and Funding, assumptions and principles for the proposed Investment Programme

As set out in this report the vision is to deliver an investment programme that creates wealth through a range of investments that seeks to grow the economy; improve choice; and assist in the delivery of quality homes and jobs supported by essential infrastructure and a healthy environment.

The programme will assist with the delivery of the Local Plan and in doing so will also create an ongoing sustainable income source for the Council to protect services to the public.

Initial work on an Investment Programme suggests Council direct investment over the medium term of over £600 million, which is in addition to the current spend on the capital programme. The total level of investment into Cornwall will be greater as schemes will inevitably draw down on external contributions.

The majority of the Council's investment will be sourced from debt, currently borrowing rates with the Public Works Loan Board (PWLB) are at historic lows, although future interest rate rises are forecast, following the recent rate rise and subsequent commentary by the Bank of England, these are likely to have been priced in to the future rates although it raises the serious consideration around risk of future interest rate fluctuations and the cost to the Council.

The key principle for all schemes under the investment programme is that they make a return to the Council. They may deliver additional benefits but the overriding principle is that they will cover their capital financing costs i.e. borrowing costs of principal and interest and then also make an additional return.

Depending on the type of scheme, how it is transacted and delivered, and the life of assets built or acquired will determine the rate of return required; there is no fixed expected return on investment rate being set. Some schemes could make returns as low as 4%, if delivered differently with a long asset life, whilst other schemes could be up around the 10% return mark.

The return on investment will look at all sources of income generated by the schemes investment including Council Tax, Business Rates as well as any rental income generated.

Some schemes may also have an element of sales and use the associated capital receipts to ensure the overall scheme meets the necessary return.

To fund the Investment Programme for Cornwall will require a significant increase in borrowing. Therefore, the Council's prudential borrowing limits will be required to change significantly and this will be included in the Treasury Management Strategy that is approved by Council alongside the MTFP in February.

For every scheme there must be a robust due diligence process leading into the full business case stage, with challenge at the early stages so feasibility costs are not wasted. It is critical that the projects make the necessary return on investment or else the Council will worsen its revenue position, as it will have incurred borrowing costs with insufficient income to then cover these costs.

The Section 151 Officer would recommend the Council procures professional investment and tax advice for due diligence on every scheme with the providers being required to set out clearly expected standards of information, acceptable modelling assumptions, advice on optimism bias and training to be provided to Finance Staff of the Council to ensure that in years to come this may be a service that can be provided internally.

It is likely there will be a cost of this service, circa £10,000, per scheme given the scale of these projects and the risk to the Council if schemes do not produce the required return; this is a minimal cost.

The Investment Programme for Cornwall will operate in line with current practice and principles for the Capital Programme but will be accounted for and reported separately to ensure there is sufficient control over the level of return and borrowing costs.

As per the normal capital programme as part of the MTFP, the Cabinet will recommend to full Council an overall control total for the investment programme with outline estimated figures for the recommended schemes.

The Council's Treasury Management Strategy will set out amended prudential borrowing limits and indicators to cover both the Investment Programme and normal planned capital investment. This will also include any necessary changes to the risk profile of the treasury management policy.

The MTFP will include the impact of any cash flow requirements in the early years where costs will be incurred on feasibility, land purchase, and development before any returns are made.

Once the control totals and borrowing limits have been set by the Council then projects or programmes within the agreed financial scope for the annual investment and delivery plan will be subject to a detailed business case submitted for approval to the relevant Strategic Director/Portfolio Holder and/or Cabinet in accordance with the current constitution and scheme of delegation.

If at any stage in the year these borrowing limits and overall control totals look likely to be exceeded then a full report will be brought back to Council before any more schemes are added to the Investment Programme.

If the Investment Programme is going to be a success there needs to be adequate funding for the early stages of the programme before any returns are made. This is a new area for the Council and there is not sufficient internal capacity or commercial capability to make it work.

This will include investment appraisals, legal advice, financial modelling as well as direct development skills. Therefore a base budget of £2m per annum is to be established to provide capacity and expertise to ensure success. This will be

funded from the existing capital financing budget and will fund revenue costs that cannot be capitalised.

In the current year, transitional funding of up to £2m for the delivery of existing projects in the remainder of the current financial year will be sourced from the Economic Development Match Fund to progress schemes being progressed.

12. Proposed transitional capital funding for the Investment Programme.

A number of schemes, as listed in section 13, below, are currently being progressed by the Council. If this report is approved, the first annual delivery and investment plan will be proposed to Cabinet and Council in February 2018. Ahead of this time, we wish to continue with the development of a number of schemes so that momentum can continue in respect of acquisitions, feasibility, specialist investment and development advice, as well as promotion to planning permission stage. This report is, therefore, proposing an increase in the Capital Programme for this year (17/18). The uplift proposed is for £70m for schemes including business space in Bodmin, promoting a scheme for redevelopment of Liskeard Cattle Market, acquisitions, infrastructure and the promotion of a regeneration scheme for Hayle Harbour, the Newquay Strategic Route, promotion of workspace in Penzance, promotion of a scheme, primarily for workspace adjoining the university in Falmouth and promotion towards planning for a regeneration scheme at Pydar Street, Truro.

Business cases for each scheme will be subject to the normal reporting process, in accordance with the scheme of delegation.

Capital will be funded through borrowing, in accordance with the financial principles being proposed.

13. Project Examples

A number of projects have already been started or are in the course of being started, in accordance with individual existing approvals. The following is a list and brief description of some of these proposals, to show the geographical spread and the type of project which will be part of the overall Investment Programme:

- Housing Development Programme two sites under construction for 113 homes at Tolvaddon and St Lawrence Bodmin.
- Further acquisition of land at Tolvaddon and St Lawrence for workspace and housing.
- Investment in commercial space for the food and drink sector in Bodmin.
- Langarth Farm and West Langarth; discussions to buy land parcels to provide homes within the Housing Development Programme and provide a possible extra care scheme. Approval at Cabinet to buy Langarth Farm.
- Truro Northern Access Road.
- Hayle Harbour; negotiations to acquire the harbour and harbourside land parcels for the purpose of a regeneration scheme.
- Hayle Marine Renewables Park commercial development extension.
- Maudlin Farm, Liskeard, for the purpose of providing homes.

- Newquay Strategic Route; we are working up a proposal for early delivery of the remaining sections of the new road infrastructure.
- Treliever, Falmouth; discussions with the universities about the provision of business space, in the medium term in accordance with the proposed Local Plan allocation.
- Carrick House; we have acquired the whole site and are developing a project for a significant city centre redevelopment and regeneration in the context of a strategy for the City Centre and the Truro and Kenwyn Neighbourhood Development Plan.
- Liskeard Cattle Market; acquisitions for land assembly and investment in commercial space for a town centre redevelopment.
- Penzance Business Park; acquisitions for transport infrastructure and workspace.
- Carlyon House, St Austell; acquisitions for land assembly for redevelopment.
- Pool Innovation Centre; acquisition and promotion of workspace.

Worked Example

This is a summary of a subject based programme which would be submitted in the context of the overall Investment Programme. Approval is not being sought here, but it is included to give an understanding of the range of proposals that are likely to come forward.

The programme is a proposal to increase 'Cornwall's Commercial Development Capacity.' It proposes a £14m investment to create about 50,000m² of high quality workspace, geographically spread across Cornwall. It includes:

- Development of workspace for a Cornwall Food and Drink Hub at the Walker Lines Industrial Estate in Bodmin, following an options appraisal commissioned by local partners, CC and the LEP.
- Development of a digital workspace as part of the development/redevelopment at Liskeard Cattle Market. This proposal follows a development study in 2016.
- An office development providing grow on space, adjacent to the Pool Innovation Centre. The land is owned by Redrow, with a potential purchase by CC.
- Development of phase 2 of the Hayle Renewables Business Park, as part of the Marine Hub Enterprise Zone.

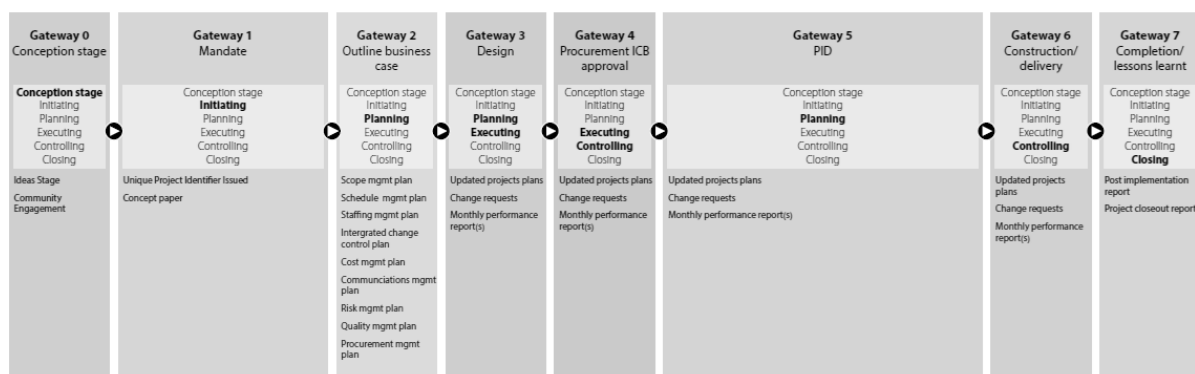
These are all in areas of high demand but cannot be delivered by the private sector because they are not viable on a conventional speculative build and sale commercial basis.

The model being proposed is that Cornwall Council would build and own premises, retaining ownership and getting a financial return from rents. These initiatives will work alongside our skills, education and business support objectives.

14. Risks and Risk Mitigation

It is important that appropriate risk management measures are in place, in order to protect the public interest. To manage risk, the Council have robust and effective processes in place at all stages, through a project lifecycle.

There are 8 recognised stages in the delivery of a project; these are described in full at Appendix 3, but in summary they are:



A risk register is being developed for the programme and the main financial risks are outlined, above, in respect of funding and finance proposals.

It is intended that a political view is taken of proposed projects/programmes at the stage of Gateway 2 in the technical reporting process as set out in Appendix 3.

Skills, Expertise and Capacity

It is recognised that the Council does not have sufficient skills, expertise or capacity to deliver this scale of investment programme. In the short term we are using our existing procurement framework and locally based suppliers to buy this in. We need skills and expertise in respect of property development and financial investments. It is essential that we get the expertise we need but through people who have local experience and knowledge. Further to this report and following Cabinet and where appropriate Council's decision we will bring forward detailed proposals to recommend how this can be achieved and the necessary and appropriate structures. This can only be delivered if the recommendation for transitional funding (recommendation 10) is agreed. We will commit to using local companies wherever possible so that our investments add directly to the wider Cornwall economy.

Investment from Grants and other Sources

The investment Programme is intended to be an investment for Cornwall and it anticipates that we will attract additional inward investment to leverage the Council's interests. It is intended to actively pursue grants and other sources of income and investment which may also include Joint Venture and Partnerships with developers. This will help provide a diversity of investment and reduce risk as well as an opportunity to align the programme to inward investment.

15. Due Diligence and Governance

This report is intended to gain support for the scale of the proposed Investment Programme; the principle of which was agreed at Cabinet in July 2017. This

report sets out and seeks approval for the financial principles and assumptions for the Development and Investment Programme.

It is proposed that there will be a further report to Cabinet and Council in January 2018, which will set out an overall annual investment and delivery plan for 2018/19 and be submitted for approval alongside the capital programme. The approval of this will give Council approval for each year's spending and investment. There will be an annual report to this effect. This will be accompanied by appropriate due diligence at an annual investment level.

Individual projects, subject based programmes or place related portfolios of projects will be the subject of a detailed business case; in the context of the financial principles and assumptions agreed and in the context of the annual investment and delivery plan. These will be determined by the Strategic Director, Portfolio Holder or Cabinet, in accordance with the constitution and scheme of delegation.

As stated in Section 3.4 it is recommended that the EGD Overview and Scrutiny Committee, consider and report on possible alternative governance arrangements.

16. Benefits for Customers/Residents

The benefits are for Cornwall's current and future residents are:

- Delivery of the Cornwall Local Plan and Strategic Economic Plan, jobs, homes, infrastructure, growth of environmental quality and associated health benefits already described in this report.
- Direct delivery of commercial space where there is current market failure, facilitating the growth of jobs and wages.
- Direct delivery of rented homes to compete in an imperfect market giving more security and long term homes for people who cannot or do not want to buy homes.
- Energy security.
- In the medium and long term, generating revenue that will protect front line services.
- Net benefit of increased revenue from additional council and business rates.

17. Consultation and Engagement

Member workshops during 2016 looking at the Planning Peer Review and delivering the Cornwall Local Plan.

Member Conference, September 2016, looking at growth on Cornwall's terms.

2016 Parish and Town Council planning conferences across Cornwall, looking at delivering the local plan.

July 26th 2017, Cabinet Report Delivering Homes, Jobs and Communities.

The September 2017 Cabinet report³ Localism Strategy: Strengthening Community Networks; recognised the need to ensure that community networks are fully engaged in place shaping.

Both the Local Plan and Strategic Economic Plan have been through significant public consultation and are adopted by the Council for Cornwall.

18. Legal/Governance Implications of the proposed course of action/decision

The proposal accords with the legal framework for Local Government activity and investments. The government have raised concerns about the scale and purpose of some Council's borrowing and investments, but has not taken any action to limit borrowing. The proposals in this report all have a financial and social focus and it is not considered that these would be curtailed by government.

Should the recommendations to Full Council be accepted the decision making as to the choice of project/programmes will be a Cabinet function. Under existing constitutional requirements the Economic Growth and Development Overview and scrutiny Committee will have responsibility to scrutinise this area in the context of overall performance and the approved Annual Investment and Delivery Plan.

It is envisaged that further work will be undertaken with the Scrutiny Committee in developing appropriate governance processes.

Both the Section151 Officer and the Council's Monitoring Officer will be required to take an active role in the assessment, oversight and due diligence of each individual project and the programme overall.

19. Comprehensive Impact Assessment Implications

A Comprehensive Impact Assessment (CIA) for the proposals set out in this report has been completed. No significant impacts are identified though the assessment. The CIA was reviewed and approved by the Economic Growth and Development Directorate Equality Advisory Group (DEAG) on 19th June 2017.

20. Options available

There are three main options available to the Council:

1 - Do nothing. This would not bring forward the financial and development benefits outlined in the report.

³ <https://democracy.cornwall.gov.uk/ieListDocuments.aspx?CId=577&MIId=7623&Ver=4>

2 - In the context of the approval in principle, agreed in January 2017, agree this proposed step change and the development of a new Development and Investment Programme, as set out.

3 - A more gradual uplift in the Capital Programme, but based on a programme by programme or project by project basis. This would detract from our ability to lead an overall programme based approach, it would reduce our ability to fund infrastructure and give less certainty of financial returns.

Supporting Information (Appendices)

Appendix 1	Cabinet Resolution, 26 July 2017
Appendix 2	Methodology and criteria for investment
Appendix 3	Due diligence process

Background Papers

Cabinet report 26 July 2017

LGA Publication Enterprising Council's 20 June 2017

APSE Bricks and Mortar Report 2017

Approval and clearance

All reports:

Final report sign offs	This report has been cleared by (or mark not required if appropriate)	Date
Governance/Legal (Required for all reports)	Anne Brown	6 November 2017
Finance (Required for all reports)	Andy Brown	7 Nov 2017
Equality and Diversity (If required)		
Service Director (Required for all reports)	Phil Mason	6 November 2017
Strategic Director (If required)	John Betty	7 November 2017

Appendix 1 Previous Cabinet approval

Cabinet on the 26th July 2017 RESOLVED that:

1. *The responsibility of Cornwall Council to promote and support delivery of the Local Plan and Strategic Economic Plan (SEP) be acknowledged and the need for the Council to take a proactive role in delivery of both the housing and jobs objectives, and associated infrastructure as set out in the above referenced documents, be recognised.*
2. *Subject to (1) above, the principle of proactive, direct public sector involvement in development and growth to assist in delivering the growth identified in the Cornwall Local Plan be endorsed and accepted.*
3. *The proactive, direct public sector intervention be delivered through an integrated programme approach supported by proportionate governance and due diligence.*
4. *In order to inform the programme, existing evidence be reviewed to identify the location; occupancy rates and return on investment of the Council's existing assets to enable a better understanding of where to intervene and the type of workspace required to address Cornwall's future needs through targeted interventions.*
5. *It be noted that the purpose and effect of this intervention is to ensure that Cornwall benefits from the provision of the creation of sufficient high quality integrated sustainable places with homes, jobs and infrastructure; thereby providing a wider choice of homes and workspace that is not coming forward in the current market.*
6. *Work be progressed to develop an appropriate investment and delivery programme within Cornwall to achieve these objectives and options for funding mechanisms and providing the programme be prepared for consideration as a part of the Business and Financial Plan process.*
7. *The Council work with other Government agencies and, specifically, the Homes and Communities Agency and the Local Economic Partnership (LEP) to secure and leverage funds and reduce development risk within the investment programme.*
8. *Individual business cases for projects requiring funding in 2017/18 be presented to the Cabinet.*
9. *An annual report be prepared setting out the proposed annual investment programme in tandem with each year's budget setting.*

Appendix 2

Criteria and selection for Investment

Scope

Projects will be appraised and scored utilising the following five appraisal criteria:-

1. Strategic Fit

Investment proposals should be judged to identify the extent which they align with identified strategic priorities for Cornwall. Key strategies against which proposals will be considered are: -

- Cornwall Local Plan
- Housing Strategy for Cornwall
- Strategic Economic Plan – Cornwall and the Isles of Scilly
- Local Transport Plan
- Localism Strategy
- Culture White Paper
- Employment and Skills Strategy
- Education Strategy
- Infrastructure Assessment to support Local Plan
- Town Allocations/Framework Documents and adopted Neighbourhood Plans
- Health and Wellbeing Strategy
- Sustainability Transformation Plan (NHS)
- Cornwall Council's Strategy 2015-2020 (Closing the Gap)
- Inclusion Strategy for Cornwall
- Cornwall's Environmental Growth Strategy

2. Deliverability

Investment proposals should only be endorsed if there is a clear plan for delivery. Consideration should also be given to identified barriers to delivery, which could include: -

- Funding
- Land ownership/availability
- Planning
- Development resource, including skilled people and funding to buy in external expertise where required
- Political will/community support
- State aid
- Long term viability – creation of something viable
- No evidence of market demand

3. Growth/Social Value for Money

An assessment of total project value for money will be required against agreed benchmarks, based on an assessment of total project outputs against total project costs. Further work is required to identify benchmark comparator figures, and a broad range of outputs could be considered, but a simple approach is recommended. Benchmark comparator figures will be required, potentially across a broad range of areas and measures could include the following: -

- Total cost per job created
- Total cost per square metre of workspace created
- Total cost per participant in training
- Total cost per business supported
- Total cost per hectare of land with an enhanced environmental classification
- Total cost per ESA (Employment Support Allowance/Incapacity Benefit) customer supported to return to work
- Social value benchmarks to be provided

Once the appropriate project metrics have been calculated, they should be compared against agreed benchmark figures, and scored according to the scoring table below, giving due consideration to the level of risk associated with total project costs and the delivery of outputs.

4. CC Value for Money

An assessment of the commercial return on investment for CC will be required to identify the financial impact on CC of the project, giving due consideration to the financial risk profile for the project on CC. For some proposals, achieving an ROI for CC may not be the principal project objective, but nonetheless it is important to consider all proposals in the context of the financial impact on CC.

5. Impact on Deprivation and Inequalities (Closing the Gap)

An assessment of the extent to which the project reduces deprivation and inequalities should be undertaken, with high marks allocated to projects which focus specifically on addressing issues associated with deprivation and the reduction of inequality.

Weighting

Scores for the 5 different criteria above should be weighted to reflect their relative importance. Strategic fit is given the highest weighting, as it may be possible to take actions to improve both deliverability and value for money, although strategic fit is a more fundamental requirement. When the system is being trialled, weightings could be adjusted to produce the appropriate relative significance of the different criteria.

Scoring Matrix

Score	0	1	2	3	4	5
Strategic Fit	No fit with any of the identified strategies	Reasonable fit with one identified strategy	Reasonable fit with more than one of the identified strategies	Excellent fit with one of the identified strategies	Excellent fit with more than one of the identified strategies	Excellent fit will all identified strategies
Deliverability	No delivery plan in place and identified serious barriers to delivery	No delivery plan in place, but some barriers to delivery identified, some of which are major	No delivery plan in place, with some barriers to delivery identified, none of which are major	High level delivery plan in place, with some barriers to delivery identified, none of which are major	Excellent deliverability – good, high level delivery plan in place, with no identified barriers to deliverability	Excellent deliverability – very good, detailed delivery plan, with no identified barriers to deliverability

Growth/ Social Value for Money – based on outputs achieved v total cost	Poor value for money against all identified key benchmarks, with high levels of risk regarding costs and delivery of outputs	Reasonable value for money against one identified key benchmark, with moderate levels of risk regarding costs and delivery of outputs	Reasonable value for money against more than one identified key benchmark, with low or moderate risk regarding costs and delivery of outputs	Excellent value for money against one identified key benchmark, with moderate levels of risk regarding costs and delivery of outputs	Excellent value for money against more than one identified key benchmark, with low levels of risk regarding costs and delivery of outputs	Excellent value for money against all identified key benchmarks, with very low levels of risk regarding costs and delivery of outputs
CC Value for Money – based on return on investment for CC	Significant negative return on investment for CC or very high level of financial risk to CC	Minor negative return on investment for CC, with significant elements of financial risk	Break-even for CC, with low or moderate levels of financial risk to CC	Minor return on investment for CC, or commercial return on investment, with significant financial risk to CC	Reasonable commercial return on investment for CC, with low level of financial risk	Excellent commercial return on investment for CC, with very low levels of financial risk
Impact on Deprivation and Inequalities (Closing the Gap)	The project increases deprivation and/or widens inequalities in Cornwall	The project does not impact on reducing deprivation and inequalities in Cornwall	The project has a minimal impact on reducing deprivation and inequalities within a specific area of Cornwall	The project has a minimal impact on reducing deprivation and inequalities within multiple areas of Cornwall	The project can close the gap in inequalities and/or deprivation within a specific area of Cornwall	The project can close the gap in inequalities and/or deprivation within a multiple areas of Cornwall

Weighted Scores

Once the project has been scored against each of the agreed five headline criteria, a weighted overall score should be produced, utilising the table below. The overall weighted score is out of 35 points and further work, including the trialling of the system, is required to understand the required thresholds for investment.

Criterion	Score	Weighting	Actual Weighted Score	Maximum Weighted Score
Strategic Fit		2		10
Deliverability		2		10
Growth Value for Money		1		5

CC Value for Money		1		5
Impact on Deprivation & Inequalities (Closing the Gap)		1		5
Total				35

Appendix 3

Cornwall Council - **Draft Authorisation Process**

