

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

From: Assistant Director Investment & Commercial Delivery	Report Number: S43
To: Executive Committee Strategy Committee	Date of meeting: 11 July 2016 14 July 2016

APPOINTMENT OF PARTNER – CAPITAL INVESTMENT STRATEGY AND INVESTMENT FUND

1. Purpose of Report

- 1.1 To provide Members with an update on the appointment of:

Jones Lang LaSalle Ltd (JLL)
31 Warwick Street,
London
W1B 5NH
Reg in England and Wales 1188567

JLL will advise and support the Council in the design of a Capital Investment Strategy and the associated governance framework and delivery model which will be required to support implementation of a Capital Investment Fund in January 2017.

- 1.2 To share with Members the suggested approach to developing the Capital Investment Strategy, governance framework and delivery model.

2. Recommendations

- 2.1 Members are advised of the appointment of Jones Lang LaSalle Ltd
- 2.2 Members are advised of the approach to developing the Capital Investment Strategy

3. Financial Implications

- 3.1 In their response to the Councils' Statement of Requirements and Invitation to Quote on Consultancy for Capital Investment Strategy and Investment Fund, JLL have provided a total cost for phase 1 of the project totalling £29,880.

4. Legal Implications

- 4.1 Specialist legal advice and support for phase one will be commissioned separately, to ensure the Councils are advised on the legal implications of the proposed governance framework and investment fund delivery model.

5. Risk Management

5.1 The appointment of JLL links to the following risks in the Councils' Significant Risk Register:

Risk Description	Likelihood	Impact	Mitigation Measures
Assets and Investments – Risk 4a Failure to invest in property to generate income and regenerate local areas	Probable	Bad	Develop new capital investment strategy; Consideration of commercial opportunities; Alternative investment of cash balances.

6. Consultations

6.1 The Councils' Monitoring Officer, S151 Officer, and the Corporate Manager for Commissioning & Procurement have been consulted on the appointment process.

6.2 A market testing exercise was undertaken to help officers gain an understanding of the capabilities and experience of companies working in the property investment sector. The learning from the market testing was used to develop the procurement approach and specification.

7. Equality Analysis

7.1 The content of this report is such that there are no equality issues arising from this report.

8. Shared Service / Partnership Implications

8.1 This is a joint appointment; the costs will be split 50/50 between the two Councils. The approach to the Capital Investment Strategy will be jointly developed. However, it is acknowledged that the Councils have different financial positions; this may be reflected in different approaches and investment parameters within the Strategy.

9. Links to Joint Strategic Plan

9.1 In 2014 the Councils' adopted a new Joint Strategic Plan 2014 - 2019. The Joint Strategic Plan (JSP) has been refreshed and the new version adopted in June 2016. The JSP is effectively the Council's Delivery Plan, setting out the direction of the Council for the next four years. The JSP articulates three priority areas: Economy and Environment, Housing and Strong and Healthy communities which will be delivered under five key strategic outcomes.

The following key strategic outcome is directly linked to this project:

- Property investment to generate income and regenerate local areas

However the development of a Capital Investment Strategy provides links and has potential to provide contributions across all the key strategic outcomes through delivery of housing, jobs, support for health and wellbeing outcomes and financial sustainability for the Councils.

10. **Key Information**

- 10.1 The funding the Council receives from the Government in the form of Revenue Support Grant will reduce during the next four years and cease entirely by 2020.
- 10.2 In response, the Council has developed and adopted a Medium Term Financial Strategy that has identified the need to develop a new business model, to support the delivery of its Strategic Priority Outcomes and provide medium term financial sustainability. The new business model includes the development of an investment strategy that maximises incentivised and other funding streams e.g. New Homes Bonus, Council Tax and Business Rates and delivers additional income and savings in the future, doing things on an 'invest to save' or 'profit for purpose' basis.
- 10.3 In addition, Members have prioritised property investment to generate income and regenerate local areas in the Joint Strategic Plan Refresh 2016 – 2020, and have approved £25m in the Capital Programme 2016/17 of each Council for the purpose of supporting investment in land and property to generate new income streams and delivering the Councils Strategic Priorities.
- 10.4 To ensure that investment meets the aims in the Councils' Medium Term Financial Strategy and contributes to the delivery of Joint Strategic Priorities, a Capital Investment Strategy is required, which will provide the parameters and framework to guarantee that investment decisions are responsible and strategic.
- 10.5 The use of consultants is limited to circumstances where the Council has a lack of capacity or, more usually, the need for specific expertise which is not available in-house, as it is not always commercially expedient for the Council to employ officers who have and can maintain the required levels of skills, expertise and knowledge in every field. Typically, when such additional resources are required, the Council will engage external consultants to work alongside officers and sometimes with the internal procurement team to provide additional expertise and capacity.
- 10.6 In these instances, consultants bring a level of input and 'challenge' based on their particular field of expertise and their knowledge and experience of working across a wide spectrum of councils and other public authorities.
- 10.7 The Councils do not have sufficient expertise and capacity with the relevant skills in property investment within the organisations at this time. A partner from the property investment sector has been appointed to provide the skills and expertise required.

11. **The approach to selecting a partner**

- 11.1 Sector engagement and market testing was undertaken, during which officers met with companies who had indicated their interest in partnering with the Councils. The purpose of the early engagement and market testing was to increase the Councils understanding of the asset and investment market, generate interest in the project within the property sector and gain an awareness of the approach other Councils have taken to capital investment.

- 11.2 The results of the preliminary investigations and market testing were used to determine whether to procure a property consultancy by calling-off an existing procurement framework, or commence a new procurement from the market. We identified two suitable frameworks which could potentially meet our needs, and following market testing, we determined that the most effective procurement strategy was to proceed with a direct award under the Crown Commercial Services (CCS) Framework number RM928, Estates Professional Services. Direct awards are permitted under this framework, providing the direct award criteria are met, which they are in this instance.
- 11.3 Engagement with the market resulted in a shortlist of three companies from the CCS framework whose approach was a best fit with the Councils' objectives. A structured conversation was held with each company, led by the Leaders of the Councils and supported by the Deputy Chief Executive and Assistant Director Investment and Commercial Delivery.
- 11.4 As a result of these structured conversations, the Leaders and the officers involved all believe that JLL is the company with the most appropriate knowledge, skills and experience to advise the Councils on our Capital Investment Strategy.
- 11.5 The project has been divided into two phases. Phase one includes development of the Capital Investment Strategy, the associated governance framework and the design of the Investment Fund delivery model. Phase two provides for implementation of the Investment Fund.
- 11.6 The undertaking of phase two will be dependent upon the successful completion of phase one and then approval by the Councils to move forward to phase two. However, it is expected that phase two will be designed during phase one, and the consultancy appointed will be expected to assist with the design and specification to move forward to phase two, subject to approval of the Councils.
- 11.7 The appointment of JLL relates to phase one of the project only; the Council may subsequently appoint the same consultancy to carry out phase two, but this is not guaranteed.
12. **The proposed approach to developing the Capital Investment Strategy and Investment Fund**
- 12.1 During discussions with JLL officers have emphasised that the Councils' will require an ambitious Capital Investment Strategy; which will meet our aims for future financial sustainability and deliver a range of economic and housing outcomes which support our districts to thrive and prosper.
- 12.2 The property investment sector environment will require a decision making framework which is able to respond to commercial timescales to enable the Councils to take advantage of investment opportunities as they arise and compete with other potential investors.
- 12.3 JLL and legal advisors will work with Members and Officers to design the Strategy, governance framework and delivery model through a series of workshops and consultation events during the summer. A temporary Capital Investment Board will be established to lead the project.

12.4 A draft Strategy, supporting governance arrangements and delivery model will be reported to Exec/Strategy Committees and Full Council in November and December 2016.

13. **Background Documents**

13.1 The Babergh District Council and Mid Suffolk District Council Joint Strategic Plan Refresh 2016-2020.

13.2 The Babergh District Council and Mid Suffolk District Council Medium Term Financial Strategy 2016-2020.

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