

ORDINARY MEETING 23 NOVEMBER 2011	19
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INVESTMENT ATTRACTION (INTERIM) GENERAL POLICY

Fiona Wilson : 1/8/2-06: #3394673

RECOMMENDATION:

That Council:

- 1. adopts the new Investment Attraction (Interim) General Policy; and**
- 2. notes that the Investment Attraction (Interim) General Policy will be re-presented to Council prior to June 30 2012, following finalisation of the financial provisions of the policy in Council's 2012/2013 budget process, and the update of the policy to remove its interim status; and**
- 3. delegates authority to the Chief Executive Officer, pursuant to Section 257 of the *Local Government Act 2009*, to negotiate with potential investors on investment support packages, including financial support.**

INTRODUCTION:

This report presents Council's Interim Investment Attraction Policy for endorsement by Council for immediate effect.

BACKGROUND:

In July 2011, Council endorsed the development of a policy to define Council's role and scope to support and attract investment in Cairns. At this meeting Council also delegated authority to the Mayor and the Chief Executive Officer to work and negotiate with potential investors on all matters relating to Council support and incentives, noting that any proposed incentive arrangement would be brought to full Council. This report presents Council's Interim Investment Attraction Policy.

COMMENT:

The Cairns Regional Council Investment Attraction Interim Policy sets out Council's formal position and policy framework with regards to attraction of and support for investment into the Cairns region. The policy is focussed on targeted investment support, whereby the nature and scale of the proposed investment will stimulate significant economic benefits and value-add to the wider regional economy beyond the growth of the business itself. The Policy and the investment incentives and attraction program which it supports will strengthen Council's ability to both respond to and pro-actively target investment interests.

The Policy is presented as 'interim' until 30 June 2012, with the terms of the policy relating to financial provisions to be finalised as part of Council's 2012/2013 budget process.

The Investment Attraction Interim Policy is presented as the Attachment to this report.

Under the Policy, 'investment' is defined as investment of capital into the region that: creates new jobs; creates direct value-add through construction and operations; catalyses additional investment; catalyses growth in a key strategic area; and/ or supports growth of other companies. This investment may come from a source/ business external to the region or through the investment of capital by a business already based in the region.

Fundamentally, any investment considered under the Policy must work on its own merits, where final inducements show the degree of local support for the investment decision but will not make the business case for the investment.

Council's support for new investment into the Cairns region may be provided in a number of ways, whereby investment support will be considered as a 'package of support and inducements or incentives can be both non-financial and financial. Within scope of the Policy, Council may consider the following:

- non-financial assistance, including (but not limited to) case management within Council, integrated planning approvals process, support through property services, and corporate partnerships; and
- direct financial assistance through, (but not limited to), grant funding, property arrangements, payments to offset capital works, waiver of capital works charges and reduced/ waiver of development charges.

The type and level of Council support will be determined by the type and level of proposed investment and its alignment with Council goals and objectives.

The Policy is underpinned by principles of good governance to ensure that any incentives are provided in a transparent, equitable and risk-averse manner. This is supported by a strict application process and eligibility criteria which relate to both the proponent and the project. Under this process investment support to be provided by Council will be determined and recommended to Council by an investment support panel which to include the:

- Mayor
- Deputy Mayor
- Chief Executive Officer (Chair)
- General Manager Corporate Services
- Manager Economic Development & Innovation
- Manager Governance

Applications for direct financial support will be assessed against a rigorous investment support model which has been specifically developed to combine consideration and calculation of value-add to the economy, cost to Council (and the community) and other factors/ characteristics of the project.

Confidentiality and the ability to respond and work with potential investors in a commercial timeframe are essential to the effectiveness of the Policy. To support a streamlined process, the Policy provides for delegation of authority to the Mayor and CEO to negotiate with potential investors on potential investment support packages, including financial support.

Ultimately, all final offers of investment support will be determined by Full Council.

Council's support for investment into the region must be part of a wider regional framework and this is supported by the Tropical North Queensland Regional Economic Plan. As such, the Policy specifically states that Council encourages support for investment by other regional entities and will actively seek to partner to strengthen the package of support from the region as a whole.

The Policy, and the incentives program which it supports, are a central component of Council's broader investment attraction strategies which are set out in the Economic Development & Innovation delivery program for 2011-2014, to be presented to Council for endorsement at its December Ordinary Meeting. With the objective of encouraging and attracting investment to the region, monitoring of the effectiveness of the Policy and Incentives program is critical and will include both the projects themselves and the program overall.

CONSIDERATIONS:

Corporate and Operational Plans:

Council's Corporate Plan Goal 5 states:

To increase the region's capacity for long-term economic growth by supporting opportunities for local business and local employment.

Key Projects, Services and Actions under Goal 5 include:

Establish policy and guidelines that enable Council to better respond to economic development related proposals seeking Council support

Investment Attraction activity by Council is identified as a priority program within Council's (draft) Economic Development and Innovation delivery strategy and within the Tropical North Queensland Regional Economic Plan.

Statutory:

The *Local Government Act 2009* outlines key principles including good governance and transparent and efficient processes and decision making in the public interest. This report aims to provide the necessary policy and delegation requirements to most effectively achieve strategic economic development outcomes.

Policy:

General Policy 1:05:02 states that Council recognises that there is value in Council supporting specific initiatives or projects that will have significant economic benefits for all or parts of the local government area.

Financial and Risk:

The Investment Attraction Policy has been developed according to principles of good governance and to ensure that any incentives are provided in a transparent, equitable and risk-averse manner. This is supported by a rigorous assessment process.

No provision currently exists within Council's 2011/12 budget for direct financial incentives. Any significant opportunity requiring the possibility of incentives in the current year will be considered under the policy on a case-by-case basis.

Sustainability:

Under the eligibility criteria of the Investment Attraction Policy, all projects must align with Council's strategic direction and policies.

CONSULTATION:

The formulation of the recommendation of this report and the Investment Attraction Policy follows informal presentation to Councillors and Council's Executive Team through a workshop and consultation through presentation to Advance Cairns, DEEDI, TTNQ, FNQROC and the Cairns Chamber of Commerce.

OPTIONS:

That Council:

1. adopts the new Investment Attraction (Interim) General Policy; and
2. notes that the Investment Attraction (Interim) General Policy will be re-presented to Council prior to June 30 2012, following finalisation of the financial provisions of the policy in Council's 2012/2013 budget process, and the update of the policy to remove its interim status; and
3. delegates authority to the Chief Executive Officer, pursuant to Section 257 of the Local Government Act 2009, to negotiate with potential investors on investment support packages, including financial support.

Or

Not adopt the new Investment Attraction (Interim) General Policy.

ATTACHMENTS:

Investment Attraction (Interim) General Policy.

Fiona Wilson

Manager Economic Development & Innovation

Lyn Russell PSM

Chief Executive Officer

CAIRNS REGIONAL COUNCIL
NO.**General Policy****Investment Attraction Interim Policy**

Intent Council delivers targeted strategies and programs to support economic growth of the Cairns region (the region). In doing so, Council is determined to support an economy and business operating environment that encourages investment. This Policy establishes Cairns Regional Council's formal position and policy framework with regards to attraction of and support for investment into the Cairns region.

Scope This policy is focussed on targeted investment support, whereby the nature and scale of the proposed investment will stimulate significant economic benefits and value-add to the wider regional economy beyond the growth of the business itself.

PROVISIONS**1. Investment Defined**

- 1.1 For the purpose of this policy, investment is defined as investment of capital into the region that:
- creates new jobs;
 - creates direct value-add through construction and operations;
 - catalyses additional investment;
 - catalyses growth in a key strategic area; and/ or
 - supports growth of other companies.
- 1.2 Investment may be from a source/ business external to the region, or through the investment of capital by a business already based in the region.
- 1.3 This policy does not apply to cases where investment assistance is required by Council to support a business threatened by closure or downsizing.

2. Investment Attraction

- 2.1 For the purpose of this policy, investment attraction, or incentive to invest, involves pro-active and strategic targeting of investment support. It involves initiatives to support an environment which encourages investment and/ or inducements which specifically encourage or achieve a required activity. It also involves responding to new opportunities that arise.
- 2.2 Fundamentally, an investment must work on its own merits, where final inducements show the degree of local support for the investment decision and will only be used for strategically important projects (i.e. not every potential investment will receive financial support although they may receive other types of assistance from Council as explained below).
- 2.3 Council's support for new investment into the Cairns region may be provided in a number of ways. Inducements or incentives can be both non-financial and financial. Within scope of this policy, Council may consider:
- non-financial assistance, including (but not limited to) case management within Council, integrated planning approvals process, support through property services, and corporate partnerships; and
 - direct financial assistance through, (but not limited to), grant funding, property arrangements, payments to offset capital works, waiver of capital works charges and reduced/ waiver of development charges.
- 2.4 The type and level of Council support will be determined by the type and level of proposed investment and its alignment with Council goals and objectives. The greater the level of investment proposed and, more significantly, the estimated value-add that the proposed investment will generate into the economy, the higher the level of the investment support.

3. Principles of Governance

3.1 Council must ensure that any incentives are provided in a transparent, equitable and risk-averse manner. Under this Policy, Council's investment support adopts a five-pronged approach to ensure that the Policy delivers net community benefits and contributes to the long term economic sustainability of the Cairns region:

3.1.1 Due Diligence

3.1.2 Economic Impacts

- Potential to stimulate / catalyse growth of other business or attract further new investment into the region.
- Impact on the economy through jobs creation and value-add.
- Calculated under the Cairns Region Economic Impact Model.
- Increased assessment weighting will be applied to the following: investment representing by businesses already based in the Cairns region; local employment creation; and indigenous employment creation.

3.1.3 Financial Impacts -cost to Council

3.1.4 Risk Assessment

3.1.5 Strategic Alignment with priorities of economic growth as established in Council's Economic Development & Innovation Strategy 2011-2014.

4. Assessment of Investment Support

4.1 A strict process will be followed for every application to Council for investment support. This process is presented in Figure A. This process will ensure that applications are assessed in an unbiased and structured manner and to ensure transparency, efficient use of time and a streamlined approach to the incentives assessment process.

4.2 The type and level of investment support to be provided by Council will be determined and recommended to Council by Investment Support Panel (the Panel).

4.3 The Panel will be appointed to determine all cases proposed for investment support. The Panel will be structured as follows:

- Mayor
- Deputy Mayor
- Chief Executive Officer (Chair)
- General Manager Corporate Services
- Manager Economic Development & Innovation
- Manager Governance

4.4 The Panel and the assessment process will be supported and facilitated by the Manager Economic Development & Innovation.

**Figure A:
Cairns Regional Council Investment Support Application Process**



Note: Applications that do not meet eligibility criteria or do not satisfy the assessment process will not be approved for support.

5.2 The following eligibility criteria apply to Council's investment support:

- Proponent has successful track record and is capable of supporting the type of project proposed;
- Proponent and project are environmentally responsible;
- Project is viable in the absence of incentives;
- Project is contestable (i.e. is considering other locations);
- Project provides significant net economic benefit to Cairns;
- Project does not cause significant detriment to, and / or be in substitution for, existing businesses in the region ('Detriment Test');
- Project must align with Council's strategic direction and policies;
- Proponents must have an ABN and be able to submit at least two years of financial records; and
- Project must not compromise obligations of the Australian or Queensland Governments.

5.3 The assessment of direct financial support will be identified by the Panel through Council's Investment Support Model (the Model) and other factors/ characteristics of the project on a case-by-case basis. This model combines consideration of value-add to the economy and cost to Council (and the community).

5.4 Assessment of the type and level of support/ inducement must also consider the key principles as listed under 4.1 of this policy.

5.5 Investment support will be considered as a 'package of support'.

6. Delegations and Commercial Timeframes

6.1 Council delegates authority to the Chief Executive Officer, pursuant to Section 257 of the *Local Government Act 2009*, to negotiate with potential investors on investment support packages, including financial support.

6.2 All final offers of investment support will be determined by Full Council.

7. Partnership Funding

7.1 Council encourages support for investment in the region by other regional entities and will actively seek to partner with such entities to strengthen the package of support from the region as a whole. This will be supported by ongoing relationships and contacts maintained with the identified organisations to help streamline and promote the region's support for investment.

8. Monitoring

8.1 The Incentives Program will be monitored regularly to ensure ongoing success and the maintenance of economic benefits. Monitoring will be carried out in two forms:

- Auditing of projects to ensure that they have achieved milestones set out in the contract (jobs and investment); and
- Monitoring of the program to ensure it provides the desired benefits (jobs and investment in the economy, diversification and other identified impacts).



This policy is to remain in force until otherwise determined by Council.

General Manager Responsible for Review: Lyn Russell

**ADOPTED:
DUE FOR REVISION:
REVOKED/SUPERSEDED:**