

<b>ORDINARY MEETING</b> <b>27 JULY 2011</b>	<b>12</b>
--	-----------

## COUNCIL SUPPORT FOR INWARD INVESTMENT

Fiona Wilson : 1/8/2-06: #3243130

### **RECOMMENDATION:**

#### **That Council:**

1. **endorses the development of a policy to define Council's role and scope to support and attract investment in Cairns; and**
2. **delegates authority to the Mayor and the Chief Executive Officer pursuant to section 257 of the *Local Government Act 2009* to work and negotiate with potential investors on all matters relating to Council support and incentives, noting that once negotiated any proposed incentive arrangement would be brought to full Council and that a decision to enter into a binding incentive arrangement would remain a decision of full Council.**

---

### **INTRODUCTION:**

This report is focused on developing Council policy and negotiation procedures regarding investment attraction.

### **BACKGROUND:**

Investment attraction and employment creation is a priority for Council's economic development and innovation division. This is reflected in the Council endorsed priorities for 2010/11, in Council's draft Economic Development and Innovation Strategy 2011/12, Council's signed agreement with Advance Cairns 2011-2014 and the Draft Tropical North Queensland Regional Economic Plan.

Investment attraction involves pro-active and strategic targeting of investment. It involves initiatives to support an environment which encourages investment. It also involves responding to new opportunities that arise. Council currently has no standing investment attraction program, although it has in the past by resolution of Council provided incentives on an 'as required' basis to attract new businesses to Cairns.

Council through its Economic Development and Innovation team is currently developing plans for a detailed investment attraction strategy, together with modelling a proposed formula-based incentives scheme. Such a strategy should be supported by a clear policy framework which sets out Council's intent and scope for supporting investment attraction. Such a policy should also enable delegation to negotiate with potential investors on behalf of Council prior to any formal proposal being presented to Council for decision.

**COMMENT:**

Investment attraction, or incentive to invest, is essentially an inducement to encourage or achieve a required activity or result. Investment attraction strategies and incentives are used to achieve policy or strategy objectives - in this case, economic development policy and strategy objectives. Internationally and in Australia, they are used to recruit investment and jobs to an area.

A policy is required to provide specifically for Council's approach to inward investment and particularly for incentives to encourage investment. While delegation to negotiate will be recommended as part of this policy, in the immediate term, delegation is also required to enable negotiation on behalf of Council on any opportunities to attract investment that may arise or be identified while the policy and strategy are being developed. This immediate need is presented within the context of strong relationships with Invest Queensland and an increasing number of potential opportunities being identified.

This report seeks Council endorsement for the development of a policy relating to economic development incentives. It also seeks Council's delegation to the Mayor and Chief Executive Officer to work and negotiate with potential investors, noting that once negotiated any proposed incentive arrangement would be brought to full Council and that a decision to enter into a binding incentive arrangement would remain a decision of full Council. It is proposed that this policy and an associated Investment Attraction Strategy would be discussed with Councillors in a workshop in draft form prior to presentation to Council for endorsement.

The following considerations are among those that would be fully addressed in the development of Council's investment attraction strategy, policy and incentives program:

- Incentives can be both non-financial and financial and may relate to case management, planning, property services, corporate partnership and direct finance.
- Incentives should form part of an overall business case (land, labour, utilities etc) and package.
- Any investment attraction package should provide net community benefit.
- Any incentives should give due consideration of risks (minimising risks to Council) and compliance with due diligence.
- An investment must work on its own merits – incentives provide a final inducement showing the degree of local support for the investment decision.
- Stringent internal qualification criteria should be applied including:
  - transparency, equity and fairness;
  - outcome and performance based – jobs, level of investment, strategic impact;
  - supporting delivery of Council objectives and ultimately securing net community benefit; and
  - consistent application of economic impact assessment modelling.
- Any incentives program must be based on a transparent, equitable and robust model that can be applied to any case based on value to Council, the community and economy.

It is noted that no provision currently exists within Council's 2011/12 budget for direct financial incentives and that any significant opportunity requiring the possibility of incentives in the current year would require consideration as an individual case.

### **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:

*Strengthen Council's support for economic development including tourism and economic diversification*

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

*Review Council's role in stimulating economic activity through its own policies and operations*

Council has been directly involved in providing input into the development of the RDA Road Map and is a partner in the development of the TNQ Regional Economic Development Plan, ensuring that Council priorities are directly reflected in broader regional strategy. Investment Attraction activity by Council is identified as a priority program within Council's current economic development and innovation delivery strategy, within the draft Economic Development and Innovation Strategy 2011-2014 and within the signed 2011-2014 agreement between Council and Advance Cairns.

#### 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 good governance by addressing policy and delegation requirements in order 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 Economic Development Fund - Diversification is already contained within the budget 2010/11. This report proposes the priority program allocation of funding for delivery by Council's economic development team within this budget.

**Sustainability:**

This report proposes only the reallocation of the Economic Development Fund-Diversification fund between internal and external activities, with no impact on sustainability considerations for Council. However, programs proposed to be developed by Council's Economic Development team will include a positive focus on strengthening the green economy.

**CONSULTATION:**

The formulation of the recommendation of this report follows informal presentation to Councillors through a workshop and consultation with Council's General Manager Corporate Governance.

**OPTIONS AND CONCLUSION:**

It is recommended that Council endorse the development of a policy to provide for investment attraction and incentives to encourage investment and to provide delegation to the Mayor and Chief Executive Officer to negotiate on behalf of Council. This is with the provision that any decision to enter into a binding incentive arrangement would be the decision of full Council. Council's option is not to endorse such a policy or delegation. With the risk of missing opportunities for investment into the region at a time when the economy most needs investment and new employment, it is recommended that Council endorse the recommendation.

Fiona Wilson

**Manager Economic Development & Innovation**

Lyn Russell PSM

**Chief Executive Officer**