

**Meeting:** Investment Committee

**Date:** 16 May 2017

**Wards Affected:** All Wards

**Report Title:** Review of Investment and Regeneration Fund Strategy

**Is the decision a key decision?** Yes

**When does the decision need to be implemented?** As soon as possible

**Supporting Officer Contact Details:** Anne-Marie Bond, Assistant Director Corporate and Business Services, [anne-marie.bond@torbay.gov.uk](mailto:anne-marie.bond@torbay.gov.uk)

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## **1. Proposal and Introduction**

- 1.1 At the meeting of Council held on 6 April 2017 Members approved a revised Investment Fund Strategy and Terms of Reference of the Investment Committee. This was to ensure that there was the greatest opportunity to maximise benefits income, diversify investments and spread risks. The Investment Committee considered the draft revised Strategy and Terms of Reference at its meeting held on 20 April 2017 and recommended that officers further amend the strategy to enable the Investment Committee to make recommendations to Council on regeneration investments. This report sets out the proposed final draft revised Investment and Regeneration Fund Strategy and Terms of Reference for the Investment Committee.
- 1.2 The Investment Fund Strategy is a Policy Framework Document and requires Council approval.
- 1.3 The Investment Committee's Terms of Reference includes them making recommendations for the revision of the Strategy. As Council is looking at ways to enable regeneration projects to be brought forward, this report sets out proposals for the Investment Committee's consideration as to how this could be funded and proposes the expansion of the Investment Fund Strategy and Investment Committee's role to cover regeneration proposals.
- 1.4 The Investment Committee is requested to review the documents set out in Appendices 1 and 2 to this report and make recommendations to Council on the proposals.

## **2. Reason for Proposal**

- 2.1 To review the Investment Fund Strategy, to consider creating a separate fund for regeneration projects, reviewing the level of the General Investment Fund and the remit of the Investment Committee to enable regeneration projects pursued.

## **3. Recommendation(s) / Proposed Decision**

- 3.1 That the Council be recommended to approve the revised Investment and Regeneration Fund Strategy, including the additional £50m for the General Investment Fund (making it a total of £100m) and £50m for the Regeneration Fund to be funded from prudential borrowing (when required), set out in Appendix 1 to the submitted report.
- 3.2 That the Council be recommended to approve the revised membership and Terms of Reference for the Investment Committee set out in Appendix 2 to the submitted report.

## **Appendices**

Appendix 1: Revised Investment and Regeneration Fund Strategy

Appendix 2: Revised Membership Terms of Reference of Investment Committee

## **Background Documents**

Revised Torbay Council Investment Fund Strategy – Council meeting 6 April 2017

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## **Supporting Information**

### **4. Regeneration Fund Proposal**

- 4.1 The Council is in the process of reviewing its Torbay Economic Strategy and developing a number of regeneration proposals through the Transformation Project – Town Centre Regeneration in order to support regeneration across Torquay, Paignton and Brixham.
- 4.2 It is proposed that the Council establishes a Regeneration Fund of £50m which will be funded from prudential borrowing and will be used to fund and co-ordinate all regeneration capital projects. This will also help to generate NNDR (National Non-Domestic Rates – e.g. Business Rates) from 2019 linked to the new 100% NNDR Retention Scheme, which will be used to fund the Council from 2019. It is therefore proposed that this Fund will be spent over the next two years with a view to requesting the Council to increase this Fund if deemed necessary.
- 4.3 All capital regeneration projects will be funded from this Fund to include Claylands, Graphics and other new town centre regeneration projects and Torbay Economic Strategy projects which will leave other investments being funded from the General Investment Fund pot.

- 4.4 As the Regeneration Fund is aimed at enabling unfunded regeneration schemes to progress, any surplus income after operating, borrowing and MRP (Minimum Revenue Provision) costs will be ring-fenced to support future regeneration schemes. Assets purchased from this Fund must be valued in excess of the level of borrowing but will not be expected to achieve the same yields as other investments but must be cost neutral. MRP will be applicable over the life of the asset. Where the asset is subsequently sold the capital receipt will be allocated corporately following the recommendation of the Head of Finance.
- 4.5 It is proposed that a VRP (Voluntary Revenue Provision) of 1% be considered for all investments to create a reserve to contribute towards vacant or reduced rental periods, diminution of the value of the asset etc. This will be taken out of the surplus income generated by the asset. It is also proposed to include within the investment opportunity reports paying off the purchase costs and the cost of writing off the purchase costs.
- 4.6 The Council has successfully purchased two large investments and it is requested that the General Investment Fund pot be increased by £50m to £100m to enable the Council to make further investments from this fund.