

Meeting: Cabinet/Council

Date: 9 and 18 July 2019

Wards Affected: All Torbay

Report Title: Torbay Economic Growth Fund

Is the decision a key decision? No

When does the decision need to be implemented?

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1. Proposal and Introduction

- 1.1 In support of the Cabinet's ambition for a thriving economy, with a more diverse and sustainable base, the Partnership has indicated desire to establish a 'Torbay Economic Growth Fund' for the express purpose of making investments which will accelerate the development of the local economy in line with the objectives of the Council and its partners.
- 1.2 The Torbay Economic Growth Fund is intended to accelerate economic growth and support a thriving Torbay economy. It will bring momentum to the delivery of sites, premises and projects which will support growth in job numbers, increase the number of higher skilled jobs, create opportunities for all of Torbay's community, ensure that housing supply is meeting demand locally and in doing so bring wider benefits to the Council through improving the opportunities for local residents turning the tide on poverty and reducing long term costs on the Council.

2 Reason for Proposal and associated financial commitments

- 2.1 Despite some indications of an improving economy such as faster GVA (Gross Value Added) growth and increased demand for employment space Torbay's economy continues to experience acute challenges. These challenges manifest in higher incidences of deprivation and higher costs for the Council and the public sector on statutory services and less funding for discretionary areas of spending.
- 2.2 The emerging priorities of the new Council administration provide an opportunity to address these challenges through a comprehensive and connected regeneration investment programme. Such a programme would complement the Council's considered and proactive approach to improving its financial sustainability with a

planned series of investments designed to support the local economy and also intended to attract additional funding from Government and its agencies.

- 2.3 Successful delivery of the Economic Growth Fund is anticipated to result in improved income streams for instance from assets and a growth in business rates and by creating opportunities support a reduction in demand related costs for the Council. Successful delivery will also
- increase the number of jobs in Torbay,
 - support growth in higher skilled sectors of the economy
 - improve the provision of housing
 - respond positively to opportunities to regenerate the town centres.
- 2.4 Addressing these issues will meet the Council's objective to develop a sustainable, inclusive economy for Torbay improving the living and working environment for local residents, businesses and visitors.
- 2.5 **Town Centres** – Torbay's town centres are, like town and city centres across the country, undergoing change. There are challenges relating to vacant units, a narrow mix of uses and issues which are present in areas which are subject to under investment. There are opportunities for each of the town centres to redefine their roles supporting residents, visitors and businesses and the Council is well positioned to lead and influence delivery, working for example to reconfigure space, deliver new homes, commercial space and community facilities, directly or in partnership with, other investors and the community.
- 2.6 Recognising the importance of Torbay's town centres the Council was unanimous in its support for an expression of interest to the Government's Future High Street Fund. Torbay's bid seeks £15m for a package of activity focused on Paignton town centre and an announcement on the submissions which are invited to develop full bids is expected over the summer.
- 2.7 Pending that announcement it continues to be the case that the Transformation Strategy for Torbay's Town Centres, based on views from business and resident community, provides robust context for local delivery. This Strategy will be tested with members and partners to ensure it continues to be valid however this report assumes that the desire to focus on town centre regeneration continues.
- 2.8 As such and recognising the strong support from the community for addressing the challenges for Torbay's town centres the Council will look to intervene, subject to satisfactory business cases, to ensure that the town centres can meet the future needs of the community. The Council will therefore explore all funding opportunities with Government and institutional investors that support the long term transition of the town centres.
- Bring forward proposals for regeneration of Union Street, Torquay, to support the introduction of a more diverse range of uses.
 - Submit an expression of interest for the High Street - Heritage Action Zone for delivery of public realm improvements and investments into the area around The Strand, Torquay.

- Pending the outcome of the Future High Streets Fund expression of interest, the Council will continue to progress Victoria Centre Paignton and seek funding for the delivery of Paignton Station Square townscape improvements.
 - Bring forward a business case for the redevelopment of Brixham Town Centre Car Park.
 - Seek funding for a programme to improve the digital capability and sustainable growth of independent high street businesses in Torbay.
 - Explore the opportunity to deliver the above through joint ventures where appropriate.
- 2.9 The Council will explore the opportunity to locate other footfall generating uses into the town centres. Working with health and other public services such as Libraries Unlimited, Network Rail and GWR the Council will ensure that Torbay's town centres play their full part in the economic growth of the area by fulfilling their role for the resident, business and visitor communities.
- 2.10 **Employment-** Torbay is experiencing very high levels of demand for employment space. This is in part due to the growth potential of local businesses, in part because of the higher costs of development and occupation in certain neighbouring areas and in part because of the work of TDA in promoting opportunities in Torbay to businesses and intermediaries.
- 2.11 Currently there is a pipeline of demand for employment space, principally but not exclusively for light industrial uses, in excess of 550,000 square feet. The Council has sought to address this in part through the delivery of the Claylands site in Paignton where grant from the Heart of the SW Local Enterprise Partnership is being used to open up that site for development. While a prospective tenant has been identified for the space the complexities of the Claylands site including its topography, ecology and other ground conditions makes clear that there is a requirement for co investment from public sector partners in Torbay to bring forward certain sites.
- 2.12 It is clear from the extent of the enquiries received, and from company visits made by TDA that there is significant unmet potential for jobs growth from local businesses. While some of the 550,000 square feet demand will be speculative the enquiries which are known to be serious exceeds 300,000 square feet of space and which could realise approximately 800 gross new jobs. With an acute shortage of appropriate employment space and a need to increase the supply of employment land for the medium term the Economic Growth Fund will catalyse the development of new space.
- 2.13 The list below is not definitive but indicates schemes that could be brought forward for additional employment generating uses in the short to medium term include;
- Torbay Business Park Phase 6 – where circa 80,000 square feet of space could be brought forward. This site has outline planning consent for light industrial uses, the Council has previously worked with Midas to bring Nissha Technologies into Torbay. Development here could create approximately 140 gross new jobs.

- Yannons Farm – previously identified for a new school that opportunity is no longer required which means that this site, adjacent to Aldi and the Pharmaceutical Manufacturing Unit in Paignton could support circa 80-90,000 square feet of employment space. Acquisition of the site would be required. Development here could create approximately 140-160 gross new jobs.
- Lymington Road – site of the Torbay Business Centre there is an opportunity, subject to planning, to increase the amount of space with the introduction of light workshop units. Situated in Tormohun increasing employment space here would mitigate the loss of space at the Dairycrest site. Development here could create approximately 15-20 gross new jobs.
- Lummaton Quarry – an existing site there is an opportunity to improve the provision of employment space increasing the density of use at the site and improving the job numbers.
- Edginswell – opportunities exist both at the Kerswell Gardens and at the Gallows Gate areas of Edginswell. Identified as part of the Torquay Gateway for employment uses alongside residential development the Gallows Gate site is likely to be longer term.
- Establishment of a Business Growth programme, a facility which would allow the Council to make commercial investments in businesses which were based and creating employment locally through loans or equity investments.
- Support activity which results in improved opportunities for businesses in digital, environmental and health care sectors.

2.14 Through the delivery of the Economic Growth Fund the Council will proactively address a strategic risk for the area however the Council cannot deliver alone and does not work in isolation. The Council will therefore continue to promote the needs of Torbay, and other coastal areas in Devon and Somerset, encouraging the Heart of the South West Local Enterprise Partnership to co-invest to unlock the growth potential of the area.

2.15 **Housing** – With over 1100 households currently on the Devon Home Choice waiting list for accommodation, particularly in the 1 to 3 bedroom market there is a pressing need to increase the supply of housing. The Council wants to ensure that Torbay residents can benefit from the right quality of accommodation to improve the opportunities for households across Torbay through access to housing stock which provides a range of tenures.

2.16 While 2018/19 saw an increase in the number of affordable homes delivered in Torbay the extent of demand for these homes requires that delivery to be continued. In order to do that there are sites which can be brought forward within the next two years across Torbay, i.e. at Hatchcombe, alongside others within Torbay Council's ownership. There are also stalled sites across Torbay where the Council could intervene to increase the supply of new homes particularly at brownfield and town centre locations.

2.17 The Council is, through a separate report, being asked to approve investment for the Housing Company but additional housing growth opportunities, subject to business cases being approved by Cabinet, could be brought forward to ensure that delivery meets the Council's requirements.

- 2.18 Approval of the principle of the Economic Growth Fund will bring forward recommendations for projects. There will be employment benefits from construction work and through the end use benefits. It is also expected that there would be financial benefits to the Council through the development of sites and premises directly and indirectly for instance increased business rate receipts as a consequence of additional space being created.
- 2.19 Seeking to bring forward the sites set out above will also allow the Council to better influence the creation of jobs locally which will complement the forecast growth of neighbouring places including the Greater Exeter area.
- 2.20 Approval and implementation of a coherent plan linked to a new Torbay Economic Growth Fund is expected to provide confidence and certainty to the local community, regional and national partners including the LEP and Government, alongside private investors. This will in turn increase the possibility of attracting co-investment from wider public and private sector partners.
- 2.21 By delivering schemes through a Torbay Economic Growth Fund the Council would adopt guiding principles which would include;
- Seeking to maximise local economic benefits within the contract procurement process. Specifically this will require proposals from contractors who will advertise job and supply vacancies within the area and who will work alongside the Council and its partners to advertise those vacancies and improve the level of skills that exist in the area. The Council will work to ensure that these projects have a direct impact on Torbay's most disadvantaged communities.
 - Seeking to complement Council finance with co-investment from partners. This will be through the development of closer working relationships between the Council and appropriate Government departments, agencies and partners such as Homes England, National Lottery Heritage Fund and the Heart of the SW Local Enterprise Partnership.
 - Where appropriate other investment such as from institutional investors will also be sought.
 - Employment schemes will typically be expected to provide a return net of the borrowing costs.
 - Regeneration schemes will typically be expected to meet their borrowing costs, schemes not meeting this test will only be approved by exception.
- 2.22 TDA, the Council's economic development company, will prepare proposals in respect of the above. Where funding is required to develop the proposals and test their feasibility it is expected that TDA will use its economic development funding to bring these proposals forward.
- 2.23 The proposals contained in this report will require the Council to commit to the principle of establishing a Torbay Economic Growth Fund using funds borrowed through the Public Works Loan Board. The total fund required for the projects set out above is estimated at £100m but funding for individual projects would only be allocated once Cabinet has agreed the individual business case for each proposal.

3. Recommendation(s) / Proposed Decision

That the Cabinet recommend to Council:

- 3.1 That a Torbay Economic Growth Fund be established and up to £100m of prudential borrowing be approved for the progress of a range of capital projects for economic growth and regeneration within Torbay and, to be funded from the future income from those projects.
- 3.2 That Council delegates to Cabinet the approval of each project, or a number of linked projects, subject to a business case that demonstrates the regeneration outcomes and that the borrowing required to initially fund the project is prudent and affordable.
- 3.3 That TDA be asked to confirm the criteria against which the Torbay Economic Growth Fund would be allocated.
- 3.4 That TDA prepare acquisition and development reports for projects within the Borough of Torbay, which will accelerate the Council's ambition of a thriving economy and in particular to instruct officers to:
 - a) Bring a report back to Cabinet setting out projects for inclusion in a refreshed and prioritised Town Centre Regeneration Delivery Strategy, including the projects identified in this report, and associated budget requirements.
 - b) Bring forward proposals for appropriate regeneration schemes for Union Street.
 - c) Present to Cabinet the emerging Supplementary Planning Document for delivery of housing on Phase 1, Victoria Centre.
 - d) Present to Cabinet a full business case for the redevelopment of Brixham Town Centre Car Park, in line with community aspirations.
 - e) Explore, and present to Cabinet, options for any Joint Venture Partnership arrangements linked to the Torbay Economic Growth Fund.
 - f) Present to Cabinet proposals for refreshed governance arrangements, for integrated and speedier delivery of town centre regeneration.
 - g) Present to Cabinet proposals to develop with the private sector Torbay Business Park, Paignton.
 - h) Present to Cabinet proposals for additional workspace at Lymington Road, Torquay.
 - i) Present to Cabinet proposals for strategic acquisitions in support of the Council's employment growth objectives.

Background Documents

Torbay Economic Strategy
Town Centres Regeneration Strategy

Section 1: Background Information

1.	<p>What is the proposal / issue?</p> <p>The economic position of Torbay is weak and needs sustained investment to improve the growth of local businesses and the creation of new employment opportunities for residents.</p>
2.	<p>What is the current situation?</p> <p>As set out in main report.</p>
3.	<p>What options have been considered?</p> <p>Proceed with current approach – would result in slower delivery and delayed achievement of the economic and financial benefits that are possible.</p>
4.	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan?</p> <p>As set out in main report this proposal is fundamentally targeting the prosperity of Torbay seeking to create more opportunities for employment and thereby improving household incomes and reducing demand for services.</p>
5.	<p>How does this proposal contribute towards the Council's responsibilities as corporate parents?</p> <p>The proposed operating principles of the Fund set out 2.21 of the main report set out that every opportunity to support maximising local employment and supply chain benefits. This would include local authority care leavers in line with the economic strategy.</p>
6.	<p>How does this proposal tackle deprivation?</p> <p>As set out in main report.</p>
7.	<p>How does this proposal tackle inequalities?</p> <p>As set out in main report.</p>
8.	<p>How does the proposal impact on people with learning disabilities?</p> <p>No direct impact.</p>

9.	Who will be affected by this proposal and who do you need to consult with? Project proposals brought forward under the Growth Fund will be subject to consultation with relevant groups which might include Torbay Business Forum, Community Partnerships, traders groups and Chambers of Commerce and other stakeholders depending on the project. Specific details will be confirmed for those projects and will be the responsibility of the project manager.
10.	How will you propose to consult? To be determined.

Section 2: Implications and Impact Assessment

11.	What are the financial and legal implications? The financial implication of this recommendation is significant and when making the decision the total borrowing commitments of the Council should be considered. The risks and rewards of a significant level of borrowing are outlined in the Capital Strategy that was approved by Council in February 2019. It is of this level on the Council's total borrowing position, whether the level of borrowing is proportionate and is affordable and understand the potential risks and rewards of the proposals. All regeneration schemes will be dealt with on a full repayment basis (on an annuity basis over the asset life). The borrowing associated with these assets will comply with the Prudential Code of Practice 2017
12.	What are the risks? Risks will be set out for each project as they come forward.
13.	Public Services Value (Social Value) Act 2012 Not applicable
14.	What evidence / data / research have you gathered in relation to this proposal? Torbay JSNA, Economic Strategy evidence base
15.	What are key findings from the consultation you have carried out? Not applicable
16.	Amendments to Proposal / Mitigating Actions Not applicable

Equality Impacts

17.	Identify the potential positive and negative impacts on specific groups		
	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people			there is no differential impact
People with caring Responsibilities			there is no differential impact
People with a disability			there is no differential impact
Women or men			there is no differential impact
People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>			there is no differential impact
Religion or belief (including lack of belief)			there is no differential impact
People who are lesbian, gay or bisexual			there is no differential impact
People who are transgendered			there is no differential impact
People who are in a marriage or civil partnership			there is no differential impact
Women who are pregnant / on maternity leave			there is no differential impact

	Socio-economic impacts (Including impact on child poverty issues and deprivation)			there is no differential impact
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			there is no differential impact
16	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	N/A		
17	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	N/A		