



Friday, 18 May 2018

## **INVESTMENT AND REGENERATION COMMITTEE**

A meeting of **Investment and Regeneration Committee** will be held on

**Thursday, 24 May 2018**

commencing at **4.00 pm**

The meeting will be held in the Meadfoot Room, Town Hall, Castle Circus,  
Torquay, TQ1 3DR

### **Members of the Committee**

Councillor Robson (Chairman)

Councillor O'Dwyer

Councillor Pentney

Councillor Stocks

Councillor Thomas (D)

Councillor Tyerman

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For information relating to this meeting or to request a copy in another format or language please contact:

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# INVESTMENT AND REGENERATION COMMITTEE AGENDA

1. **Apologies**  
To receive any apologies for absence including any changes to the membership of the Committee.
2. **Minutes** (Pages 4 - 8)  
To confirm as a correct record the Minutes of the meetings of this Committee held on 17 and 26 April and 14 May 2018.
3. **Declarations of interest**
  - (a) To receive declarations of non pecuniary interests in respect of items on this agenda  
**For reference:** Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.
  - (b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda  
**For reference:** Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.  
  
(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)
4. **Urgent Items**  
To consider any items that the Chairman decides are urgent.
5. **Investment and Regeneration Fund Operational Policy** (Pages 9 - 17)  
To consider the submitted report on the draft Investment and Regeneration Fund Operational Policy.
6. **Exclusion of Press and Public**  
To consider passing a resolution to exclude the press and public from the meeting prior to consideration of the following items on the agenda on the grounds that exempt information (as defined in Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) is likely to be disclosed.
7. **New Investment Opportunities**  
To consider potential investment opportunities.

8. **New Regeneration Opportunities**  
To consider any new regeneration opportunities.
9. **Update on Existing Investments**  
To receive an update on existing investments.



## Minutes of the Investment and Regeneration Committee

17 April 2018

-: Present :-

Councillor Robson (Chairman)

Councillors Excell, O'Dwyer, Stocks, Thomas (D), Tyerman and Doggett

(Also in attendance: Councillors Bye)

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### 121. Apologies

In accordance with the wishes of the Liberal Democrat Group, the membership of the Committee had been amended for this meeting by including Councillor Doggett instead of Councillor Pentney.

### 122. Minutes

The Minutes of the meetings of the Investment and Regeneration Committee held on 6 and 13 March 2018 were confirmed as a correct record and signed by the Chairman.

### 123. Regeneration Projects Criteria and Methodology

Members discussed possible criteria and methodology for regeneration investments to be considered under the Investment and Regeneration Fund Strategy. Options included linking criteria to delivery of objectives of the Council's Policy Framework documents and a potential three stage process to see if there was an appetite to further pursue a regeneration investment. Officers would work up draft proposals with the Chairman and bring them back to a future meeting of the Investment and Regeneration Committee for consideration.

### 124. Exclusion of Press and Public

Prior to consideration of the items in Minutes 125 to 127 the press and public were formally excluded from the meeting on the grounds that the items involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

### 125. New Investment Opportunities

Liam Montgomery, TDA, outlined investment opportunities within the Council's travel to work area, which were not supported by the Committee for further investigation. He also outlined a new potential area for investment and agreed to

bring back further details on this investment profile to a future meeting of the Committee.

**126. New Regeneration Opportunities**

No new regeneration opportunities were discussed.

**127. Update on Existing Investments**

Further to the Chief Executive's urgent exempt decision taken on 21 March 2018 in respect of a local investment opportunity, Anne-Marie Bond provided a verbal update on the investment.

Resolved:

The decision in respect of this Minute is restricted due to exempt information contained within the decision.

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Chairman



## Minutes of the Investment and Regeneration Committee

26 April 2018

**-: Present :-**

Councillor Robson (Chairman)

Councillors Excell, Thomas (D), Tyerman, Doggett and Darling (S)

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### **128. Apologies**

In accordance with the wishes of the Liberal Democrat Group the membership of the Committee had been amended to include Councillors Darling (S) and Doggett instead of Councillors Pentney and Stocks. An apology for absence was received from Councillor O'Dwyer.

### **129. Exclusion of Press and Public**

Prior to consideration of the item in Minute 130 the press and public were formally excluded from the meeting on the grounds that the item involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

### **130. New Investment Opportunities**

Liam Montgomery, TDA outlined an out of area investment as set out in the submitted exempt report.

Resolved:

The decision in respect of investment opportunity 1 is restricted due to exempt information contained in the decision.

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Chairman



## Minutes of the Investment and Regeneration Committee

14 May 2018

-: Present :-

Councillor Robson (Chairman)

Councillors Pentney, Thomas (D), Tyerman, Darling (S) and Lewis (C)

(Also in attendance: Councillors Lewis (B))

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### 131. Apologies

It was reported that, in accordance with the wishes of the Conservative Group, the membership of the Committee had been amended for this meeting by including Councillor Lewis (C) instead of Councillor O'Dwyer.

### 132. Exclusion of Press and Public

Prior to consideration of the items in Minutes 133 and 134 the press and public were formally excluded from the meeting on the grounds that the item involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

### 133. New Investment Opportunities

Liam Montgomery, TDA, outlined two investment opportunities, within Torbay's travel to work area, which were circulated at the meeting.

Resolved:

- (i) That investment opportunity 1 be supported in principle and that further details are presented to a further urgent Investment and Regeneration Committee with a view to then making a recommendation to a meeting of Full Council (extraordinary meeting to be arranged); and
- (ii) the decision in respect of investment opportunity 2 is restricted due to exempt information contained within the decision.

### 134. New Regeneration Opportunities

Alan Denby and Jason Buck, TDA, outlined a local regeneration opportunity as set out in the exempt report circulated prior to the meeting.

Resolved:

- (i) the decision in respect of regeneration opportunity 1 is restricted due to exempt information contained within the decision.

**135. Update on Existing Investments**

No update.

Chairman/woman

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**Meeting:** Investment and Regeneration Committee    **Date:** 29 May 2018

**Wards Affected:** All Wards

**Report Title:** Investment and Regeneration Fund Operational Policy

**Is the decision a key decision?** No

**When does the decision need to be implemented?**

**Executive Lead Contact Details:** Name of Councillor, Executive Lead Title, phone number and email

**Supporting Officer Contact Details:** Name of Officer, Job Title, phone number and email address

## **1. Proposal and Introduction**

- 1.1 On 22 February 2018 the Council approved the high level Investment and Regeneration Fund Strategy, which forms part of the Council's Policy Framework and sets the overall direction for investments using the Council's Investment and Regeneration Fund, and requested the Director of Corporate Services and Operations, in consultation with the Elected Mayor, Head of Finance and Chairman of the Investment and Regeneration Committee, to approve the Investment and Regeneration Fund Operational Policy.
- 1.2 The draft operational policy has been developed in consultation with the Head of Finance and it set out at Appendix 1 to the submitted report for Members endorsement.

## **2. Reason for Proposal**

- 2.1 To enable the Investment and Regeneration Committee to have input into the emerging Investment and Regeneration Fund Operational Policy in light of their experience of considering investment opportunities.

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

- 3.1 That the Director of Corporate Services and Operations, in consultation with the Elected Mayor and Head of Finance, be recommended to approve the Investment and Regeneration Fund Operational Policy set out at Appendix 1 to the submitted report.
- 3.2 That subject to 3.1 above, the Head of Finance be requested to make a technical amendment to the Investment and Regeneration Fund Strategy to reflect the minimum yields expected for general investment and regeneration investment opportunities.

## **Appendices**

Appendix 1: Investment and Regeneration Fund Operational Policy

### **Background Documents**

Council meeting 22 February 2018 – Review of Torbay Investment and Regeneration Fund Strategy

<http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=163&MIId=7456&Ver=4>



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May 2018

# Investment and Regeneration Fund Operational Policy

Version 2

# Investment and Regeneration Fund Operational Policy

## 1. Background

The Council has adopted an Investment and Regeneration Fund Strategy as part of its Policy Framework. This Strategy enables the Council to make investments or loans in order to generate additional revenue for the Council or to invest in regeneration opportunities within Torbay to support the delivery of the Council's Economic Strategy or Corporate Plan.

This document sets out the operational policy for the overall management of the Investment and Regeneration Fund and must be read in conjunction with the Investment and Regeneration Fund Strategy. Investments are split into two distinct areas which will be considered separately by the Investment and Regeneration Committee – general investments and regeneration investments.

## 2. General Investment Opportunities

Minimum Yield Required for new investment opportunities (before costs)	1.50%* above estimated borrowing costs (full MRP interest and capital repayments), or if capital loan - prevailing borrowing rates + 2%*  * Yield before any NNDR income assumptions
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The principle of being relatively risk-averse whilst maximizing the return to the Council will be taken in respect of all general investment opportunities, through limiting new investments to properties with minimum unexpired lease terms of five years at the date of acquisition, and with tenants of strong financial standing, where ever possible. Clear consideration will need to be given to yields where investments do not have fully repairing and insuring (FRI) terms or FRI by way of service charge (e.g. meaning that all costs relating to occupation and repairs are borne by the occupier(s) during the lease term to ensure that these costs are recovered).

In respect of the general Investment opportunities, acquisitions of assets will be pursued at a target minimum yield (before costs) of 6.5% and, as a guide to potential risk, yields of 10.0% or more are unlikely to be appropriate for investment. Investments assets producing initial yields in excess of 10.0% are likely to exhibit high risk characteristics, such as very short unexpired leases, or financially weak or insubstantial tenants, or obsolete buildings and would therefore require a higher level of due diligence to be carried out to assess the benefits and risks. Investments with a projected yield of over 10% will be discounted unless officers can demonstrate that risk characteristics are acceptable and avoid very short unexpired leases, financially weak tenants or obsolete buildings.

General investment opportunities will normally be presented to the Investment and Regeneration Committee in accordance with the detailed Business Case template set out at Appendix 1 to this policy in order for the Committee to make an informed decision on the proposal. Officers may bring outline proposals to the Committee where it is felt appropriate to get a steer as to whether further officer time should be invested in developing detailed proposals.

### 3. Regeneration Investment Opportunities

<p>Minimum Yield target for new Investment Regeneration opportunities (after costs)</p>	<p>0.5%* - after estimated borrowing costs (full MRP interest and capital repayments), or if capital loan – prevailing borrowing rates + 0.5%*</p> <p>In exceptional circumstances where the regeneration benefits are significant, there may be a cost to the Fund of the project; however, such costs are to be met from other new regeneration projects from within the Fund which provide a financial return to the overall Investment and Regeneration Fund. Such proposals will need the agreement of the Head of Finance.</p> <p>* Yield before any NNDR income assumptions</p>
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Regeneration opportunities will be pursued where there is a clear business case demonstrating how they will contribute to the regeneration of Torbay and delivery of the Council’s Economic Strategy or Corporate Plan. These proposals will not be required to achieve the same level of yield as the general Investment purchases and any surplus income after operating, borrowing and MRP costs will be ring-fenced to support both wider regeneration within Torbay and any schemes in which there could be a cost to the Regeneration element of the Investment and Regeneration Fund.

Regeneration Investment opportunities will normally be considered using the two stage process set out at Appendix 2 to this policy. If all relevant information is available, Stage 1 and Stage 2 may be combined to enable the Committee to consider and determine the matter once.

The Committee may consider multiple options for a regeneration investment site provided that at least one option breaks even in the shortest possible time and in any event by no longer than ten years. Consideration will also be given to capitalising initial interest costs to cover the loan payments until sufficient income can be generated to cover the costs in order to assist in making a scheme viable.

### 5. Financial Assumptions

Financial returns are modelled over a medium-term horizon of five to ten years, based on proposed offer prices, to determine the acceptability of each investment, and can be compared against general market forecasts. Internal Rate of Return (IRR) calculations will be carried out to model the expected cash flows from each investment. The anticipated returns can be modelled on different bases to reflect the range of risks applicable in each case, to ensure that forecast returns properly reflect the measured risks. In this way a Business Case is put together to support each recommended property acquisition.

## Appendix 1

### **Business Case for Investment Opportunities**

1. Investment Name and Address
2. Strategy Objective
  - 2.1 “Investments – Yield”
  - 2.2 “Investments – Tax Base”
  - 2.3 “Other” for example “Investment- loans & co investment”
3. Compliance with Strategy Objective – Non-Financial:
  - Sector and target assets
  - Location
  - Building specification
  - Management and maintenance obligations
  - Lease arrangements
  - Quality of tenants
4. Compliance With Strategy Objective – Financial (Completion of Appendix with commentary as below):
  - Purchase price with an independent valuation
  - Estimated exit value and proposed timescale for disposal
  - Building survey results
  - Rental income assessed over asset life linked to assessment of future market trends of both the asset sector and location
  - All costs
  - Estimated voids
  - Finance Table

A	Purchase Price	£			
B	Purchase costs at ??%/A	£			
C	Total Purchase Price (A+B)	£			
D	Initial Annual Rental Income	£			
E	Gross Initial Yield (D/C)	%			
F	MRP at ??%/C	£			
G	Asset Management Costs (normally 0.25%/A)	£			
H	Net Income after all costs (D-F-G)	£			
I	Net Initial Yield (H/C)	%			
J	Average Net Yield Years 1-10	%			
K	Asset Life (Years)				

- Costs including stamp duty, legal fees, survey fees, letting costs
- Management and maintenance obligations
- Diversity – how this investment fits in with existing investments and loans by sector

5. Legal Issues (to Include):

- Review of title and ownership
- Liabilities and restrictions

6. Risk Assessment

- Economic and Property Market
- Asset-specific –e.g. location, building quality, length of lease, financial strength of tenant, rent payable
- Environmental and regulatory
- Reputational

7. Recommendation

8. Review

- Head of Finance
- Monitoring officer

## Business Case for Regeneration Investment Opportunities

### Stage 1 – Outline Proposal

1. Investment Name and Address
2. Link to Economic Strategy or Corporate Plan
3. Local benefits
4. Risk to the Council of not pursuing regeneration investment opportunity
5. Indicative cost of purchase including costs of borrowing with indicative financials (see table below).

A	Purchase Price	£			
B	Purchase costs at ??%/A	£			
C	Total Purchase Price (A+B)	£			
D	Initial Annual Rental Income	£			
E	Gross Initial Yield (D/C)	%			
F	MRP at ??%/C	£			
G	Asset Management Costs (normally 0.25%/A)	£			
H	Net Income after all costs (D-F-G)	£			
I	Net Initial Yield (H/C)	%			
J	Average Net Yield Years 1-10	%			
K	Asset Life (Years)				

- Costs including stamp duty, legal fees, survey fees, letting costs, Management and maintenance obligations

6. Investment and Regeneration Committee Decision
  - (a) Support, in principle, for detailed business case to be developed and presented to a future meeting or
  - (b) No further action.
  
6. Review
  - Head of Finance
  - Monitoring officer



## Stage 2 – Detailed Business Case

1. Investment Name and Address
2. Detailed Business Case to include:
  - (a) indicative tenant(s)/income stream
  - (b) pre-lets
  - (c) risk register
  - (d) key milestones
  - (e) updated costings, including level of contingency and
  - (f) development details (including drawings, if available)
3. Legal Issues (to Include):
  - Review of title and ownership
  - Liabilities and restrictions
4. Risk Assessment
  - Economic and Property Market
  - Environmental and regulatory
  - Reputational
5. Recommendation
  - (a) to commit to invest; or
  - (b) no further action.
8. Review
  - Head of Finance
  - Monitoring officer