

Torbay Growth Fund Criteria

This document sets out an outline for the management of the Torbay Growth Fund including direct development, acquisitions and loans subject to appropriate security.

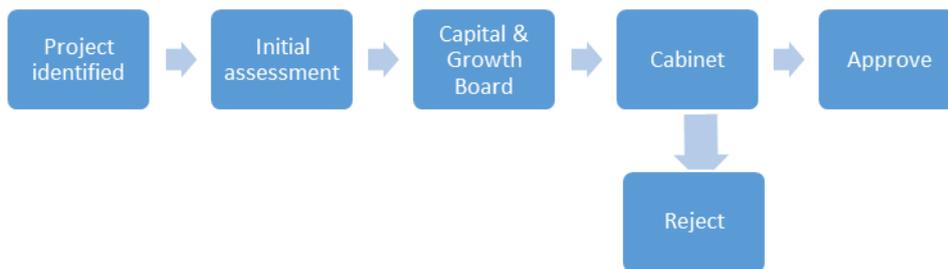
It is intended that project proposals made under the Torbay Growth Fund are robust, therefore proposals will be considered initially by the Council's Capital & Growth Board who will ensure that there is a robust justification for the proposal in line with the assessment criteria set out in this document.

The ambition of the Fund is to have a direct impact on the economic performance of Torbay and to aid the delivery of the 'One Torbay: Working for all Torbay' Community and Corporate Plan and the Housing, Economic and Tourism Strategies. The assessment criteria for the Torbay Growth Fund are intended to;

- ensure deliverability against the Council's Community and Corporate Plan and/or Housing, Economic and Tourism Strategies;
- reflect a suitable balance between the risks inherent in the types of projects supported and the financial/economic rewards obtainable; and
- ensure effective governance and due diligence on any proposal.

The assessment process will require all Torbay Growth Fund requests to meet the initial 'gateway criteria' set out below. Furthermore, all proposals will be expected to set out a strategic business case which will need to demonstrate that the proposal meets the additional assessment criteria set out in (a) to (i) below. Proposals will also need to demonstrate the value for money that they offer for the outcomes being delivered, that they are commercially viable and are affordable. The ability of proposals to be successfully delivered will also be tested through this process. A strong proposal will also include a clear explanation, based on appropriate evidence, of: why the proposal will work (for instance including need and market demand) and will show clearly how the planned outcomes will be realised.

If approved by the Capital & Growth Board then the proposal will be brought to Cabinet for a decision in line with the process set out below.



The Torbay Growth Fund is intended to create outcomes that will have a direct and positive impact within the Torbay economy. That is, there is a direct relationship between the project and the outcomes that the Council has determined it wants to achieve and the benefit that is intended to be created for the community of Torbay including for instance :-

- An increase in local employment by at least:
 - Jobs safeguarded;
 - Additional investment in Torbay whether from public or private sources;
 - Additional employment space; and
 - Improved public realm.

For clarity though, the Fund is not a “cash fund” but based on future Council borrowing to fund the proposals with the borrowing repaid from future income streams generated by the project. As the Council will be undertaking borrowing, the Prudential Code will need to be complied with and Section 151 Officer approval will be required.

For property based projects the Fund will typically seek pre-lets or good unexpired lease terms with tenants of strong financial standing. A proposal could include the provision of a loan to ensure the sustainability of an existing business within the Bay, which might involve support around refinancing, to ensure that they improve their financial position, allowing them to remain and grow their business within Torbay. Where a loan is requested by a third party, an appropriate level of security against the loan will be required, which might include parent company or director guarantees, asset mortgages or other security which the Council’s Section 151 Officer is prepared to accept. Where proposals require the Council to appoint external accountancy or legal support these costs will typically be met by the proposer and added to the proposal costs.

Other costs relating to aborted projects and scheme administration will be charged to a Revenue Fund, where appropriate, which will be created to cover such aborted costs for projects which do not proceed and will be repaid from any surplus made from future successful projects to ensure a continued funding stream for these costs.

In considering value for money there will be an assessment of the cost per job created. Government guidance suggests that lower gross cost per job can be achieved where projects have a key focus on job creation such as in the development of employment space, where there is high private sector investment, low remediation costs or where the project is focused on a small local area.

Conversely projects which have wider objectives such as regeneration (town centre or more disadvantaged communities) or where there is a specialist purpose then higher costs per job would apply. Where project proposals are submitted which have a short term carry cost they will only be considered if the Torbay Growth Fund as a whole is able to meet this cost i.e. it is expected that the cost of one project's deficit is at least being met by surplus from other projects keeping the overall Fund costs covered.

The assessment criteria for the Torbay Growth Fund does not prescribe a specific cost per job benchmark as a range of figures can be expected depending on the type of proposal under consideration.

The Council will not support proposals which would result in funds being used for activities which could bring the authority into disrepute and the issue of 'state aid' rules will be considered and applied where appropriate.

Cabinet will also take into consideration the Council's overall ability to service increased levels of debt. As such, while individual projects, proposals or requests may not meet their full borrowing costs in the very short term (allowable under the initial gateway criteria) the Torbay Growth Fund as a whole must always be in a position whereby it is able to meet its overall costs.

Initial Gateway Criteria (projects must meet each)

No.	Criterion	Pass	Fail
1	The proposed Torbay Growth Fund commitment is for a sum equal to or greater than £50,000		

2	There are measurable benefits to deliver the Community and Corporate Plan and/or Housing, Economic or Tourism Strategies that will be achieved within a maximum period of 3 years from the delivery of the project.		
3	Projects will achieve a 0% minimum return over forecast borrowing costs and any other relevant operating costs (including operational costs through any construction and operational phases) taking into account the expected average return over a 5 year period from the expected date of completion of the loan.		

Additional Assessment Criteria

Assuming that Torbay Growth Fund proposals meet the initial Gateway Criteria then all proposals will also be assessed against the following;

- a) Ability of the Proposal to provide financial benefits to the authority i.e. where future income or sales can be used to;
 - provide short term support for Torbay Growth Fund projects that cannot fully meet borrowing repayments in short term, a period of no longer than three years;
 - accelerate delivery of the Council's Community and Corporate Plan and/or Housing, Economic or Tourism Strategies;
 - support of the Council's wider service delivery; and/or
 - reduce borrowing.
- b) Proposing acquisitions will normally only be considered if they are good quality commercial property in traditional sectors, i.e. office and industrial, unless they are to be acquired for land assembly purposes. There would be an expectation of new or existing tenants to be on full repairing and insuring leases with a lease of at least 5 years.
- c) The financial business case will be considered taking into account the rate of return and income growth potential.
- d) Projects will be expected to achieve a positive net return after borrowing costs (assuming the forecast Public Works and Loans Board (PWLB) interest rate at time of expenditure). Projects not meeting this position in the short term, by

year three of the project, will be considered exceptionally and projects which cannot meet this threshold in the medium term, by year 5 of the project, will not be considered.

- e) Proposing property acquisitions where the property may have a strategic value to the Council would allow Cabinet to relax some of the above criteria where acquisition has potential for redevelopment or to enable development.
- f) Loans will require applicants to offer appropriate security to the Council and the term of the loan would typically be expected to be 5 to 10 years. The rate of interest on the loan would need to both comply with any state aid considerations and be consistent with the Council's former Investment & Regeneration Fund i.e. typically 2% minimum return over borrowing costs and other relevant operating costs in respect of borrowing for third parties. Loans which do not offer full security will have a higher rate applied commensurate to the risk involved.
- g) Loans made to third party entities, outside of the Council and its owned companies, will be subject to a maximum loan to value rate (LTV) of 75% but the Council will typically expect the LTV to be no greater than 50%.
- h) Location of the project, the Council expects that the majority of commitments made through the Torbay Growth Fund will be in Torbay but by exception may choose to support schemes in the immediate travel to work area where the objectives of the Torbay Growth Fund can be met. Within Torbay project proposals located within the town centres and within, or principally for the benefit of, Torbay's more disadvantaged communities will be able to offer higher costs per job.
- i) Project proposals are expected to demonstrate how they will generate additional benefits for Torbay by adopting social value principles for instance indicating how employment opportunities will be recruited to from disadvantaged wards, how training and/or apprenticeship opportunities will be created or how the project will develop and use a locally based supply chain.

Torbay Growth Fund – Application Checklist

Project proposals submitted to the Torbay Growth Fund will each be subject to an assessment against the criteria of the Fund approved by Torbay Council’s Cabinet on 15 June 2021.

To allow for proposals to be assessed consistently and ensure that there is a robust process in place the Council will require applicants to demonstrate that there is a business case which justifies why the Torbay Growth Fund will commit to the project.

Proposals should provide:

- Strategic justification – what is the rationale for the project and the outcome that will be delivered, how does this meet the Council’s corporate policies particularly the Community and Corporate Plan and/or Housing, Economic or Tourism Strategies?
- Economic justification – what is the value to Torbay from the project, what risks has the proposer considered and how will they be managed?
- Commercial/Financial justification – does the proposal clearly demonstrate that the criteria of the Torbay Growth Fund in terms of return, security and risk are being met?
- Management justification – is there a robust and realistic delivery plan for the project, does the proposer have track record and/or appropriate skills to demonstrate that the project can be delivered?

Does the strategic case cover the rationale, background and strategic fit?	
Are there clear objectives for the proposal?	
Are there clear outcomes?	
Are all the costs & benefits quantified?	
Is there a sensitivity analysis?	
Is there an options appraisal? (may not be required in all cases)	
Is there a clear plan for securing the outcomes?	
Does the project have potential to offer more social value to Torbay?	
Is the project commercially feasible and deliverable?	
Is there a clear programme with milestones and delivery dates identified?	

Have risks been identified and managed?	
Is there match funding?	
Is it secured?	
What security is being offered by the proposer?	
Has the proposer indicated how the project will be managed?	