

**CABINET
9 SEPTEMBER 2025**

ANNUAL REVIEW OF THE INVESTMENT FUND

**Responsible Cabinet Member -
Councillor Mandy Porter, Resources Portfolio**

**Responsible Director -
Elizabeth Davison, Executive Director of Resources and Governance**

SUMMARY REPORT

Purpose of the Report

1. To update Cabinet on progress against the agreed investments being funded through the Investment Fund.

Summary

2. In November 2016 the Council established an Investment Fund to be used for innovative investment opportunities beyond the traditional Treasury Management Strategy in order to achieve greater returns given the low returns on investment.
3. The fund provision of £50m is being utilised as envisaged in the original reports to Council to include Joint Venture (JV) vehicles and economic regeneration initiatives. Returns on JV's are anticipated to be over £8.4m and three of the JV schemes have completed with the investment fully repaid and recycled back into the fund.
4. The Investment Fund is currently funding 11 schemes as detailed in the report.

Recommendation

5. It is recommended that Cabinet note the use of the Investment Fund and the returns achieved through the Joint Venture vehicles.

Reasons

6. The recommendation is supported by the following reasons:-
 - (a) To keep Cabinet informed of progress made on opportunities undertaken and investment returns.
 - (b) To increase development opportunities and income for the Council.

**Elizabeth Davison
Executive Director of Resources and Governance**

Background Papers

- (i) Council report – 24 November 2016 – Investment opportunities
- (ii) Council report – 29 November 2018 – Investment opportunities update and request to increase the fund.

Brett Nielsen : Extension 5403

Council Plan	<p>The use of the Investment Fund contributes to economic development, regeneration and activity therefore contributing to the Council Plan priority.</p> <p>ECONOMY - building a strong sustainable economy and highly skilled workforce with opportunities for all.</p>
Addressing inequalities	This report is providing an update on the financing of schemes therefore there is no impact as a result of this report.
Tackling Climate Change	This report is providing an update on the financing of schemes therefore there is no impact as a result of this report.
Efficient and effective use of resources	The utilisation of the Investment Fund is likely to increase Council income in this and future years.
Health and Wellbeing	This report is providing an update on the financing of schemes therefore there is no impact as a result of this report.
S17 Crime and Disorder	This report has no implications for crime and disorder
Wards Affected	No anticipated impact on an individual area as a result of this report
Groups Affected	No anticipated impact on specific groups as a result of this report
Budget and Policy Framework	This report does not recommend a change to the Council's budget or policy framework
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Background

7. In November 2016 Council agreed to the establishment of an Investment Fund and following the successful implementation agreed to increase the fund to £50m on 29 November 2018.
8. It has been agreed the fund is recyclable, so as the life of an investment comes to an end and repayment is made, it will be recycled back into the Investment Fund for further utilisation. Any future scheme would still require a full detailed business case report to Cabinet for approval.
9. The Economic Growth and Finance Teams continue to look for new opportunities to provide development and financial returns to the Council using the Investment Fund.
10. Since the establishment of the fund, Cabinet have agreed to 17 uses (19 separate requests), 6 of which have completed with the investment recycled back into the fund. There are 11 remaining schemes as summarised below:

Investment	Cabinet Agreement Date	Agreed Amount £m's	Repaid	Balance £m's
Markets (MAMDL Ltd)	04/02/25	1.80	0	1.80
Neasham Road – Relocation of Cattle Mart	06/03/18	3.14	0.64	2.50
JV - West Park	03/04/18	12.00	12.00	0.00
JV - ESH/DBC North East	03/12/19	9.50	0	9.50
Land Acquisition – Faverdale	03/03/20	1.30	0	1.30
JV - Neasham Road – Elder Brook Park	15/09/20	8.50	8.50	0.00
Faverdale/Burtree Lane Garden Village	05/10/21 16/07/24 03/03/25	P3	P3	P3
Feethams House	11/01/22	1.71	1.67	0.05
JV – Neasham Road – Hurworth Gardens	03/07/23	6.70	0.50	6.20
JV – Blackwell Grange	09/01/24	8.48	0	8.48
Land at Coniscliffe Road	03/03/25	P3	P3	P3
TOTAL		59.12	23.31	35.81

Note: Those with P3 are Part 3 Cabinet reports.

11. The eight JV schemes approved to date are projected to provide a pre-tax return on investment of over £8.4m once all houses have been completed and sold. Receipts from the three schemes that have already completed have provided post tax dividends of £1.608m.

Investment update

12. The following paragraphs provide an update on the individual schemes committed against the Investment Fund since the last report to Cabinet in September 2024.

Market Asset Management

13. In 2017 the Council entered into a lease with Market Asset Management Ltd (MAM) for the management and refurbishment of the Victorian Indoor Market and the management and improvement of Darlington's outdoor market.
14. Following the completion of phase 3 of works to improve the market hall, discussions were held between MAM and the Council regarding the terms of the loan. A restructuring of the loan was agreed by Cabinet in February 2025, with payments commencing in the 2025/26 financial year.

Neasham Road: Linked to Relocation of Cattle Mart

15. In March 2018 Cabinet agreed to purchase the land at Neasham Road from the Darlington Farmers Auction Mart and others to help facilitate the move out of the town centre. The acquisition of the land at Neasham Road not only assisted with this priority but enables the Council to bring forward a significant additional development of new houses for sale and social housing to meet an identified need within the borough.
16. £3.14m was allocated from the investment fund being the balance of funding required for the move. The funding will be repaid from Section 106 receipts from affordable housing along with any capital receipts received from the Cattle Mart and Neasham Road sites. To date £0.64m has been repaid. This scheme is progressing with the construction underway at Elder Brook Park and Hurworth Gardens sites. (see below).

JV West Park

17. The Council entered a JV company with our framework partners to build and sell houses at West Park and agreed funding of £12m to facilitate this, to date £6.42m of funding has been drawn down against this allocation and all of this has been repaid. As this scheme is now in the later phases it is not expected that any further draw down of funding will be required and therefore the balance outstanding on the Investment Fund is shown as fully repaid.
18. The current projection is that this scheme will provide a higher return than the originally anticipated pre-tax profit of £2.1m, once the scheme is completed. To date £2.0m of post-tax dividend has been received.
19. The site continues to see high levels of interest and at the time of writing 21 of the 23 properties available for sale in 2025 have been sold or reserved.

JV Esh/DBC North East

20. Cabinet approved the establishment of a JV company in December 2019 to provide the infrastructure, build and sell homes under an investment programme within the North East under the company name Esh/DBC JV Limited.
21. This company takes a longer-term view and is not site specific which enables funds to be reinvested over a longer term. A number of sites are under consideration, with one site

nearly completed at Gateshead and two have commenced construction at Trimdon and Philadelphia.

22. The Gateshead site is nearly complete, with all properties available either sold or reserved.
23. The site at Trimdon (Bluebell Gardens) is progressing well with 17 of the 31 properties made available in 2025 either sold or reserved.
24. The new site at Philadelphia has recently commenced construction with 5 of the 6 properties available in 2025 sold or reserved to date.

Land Purchase – Land at Faverdale

25. The Council acquired the former St Modwen site comprising 74 acres of land to the east of Faverdale East Business Park following approval in March 2020. Cabinet agreed in October 2021 to seek expressions of interest for a preferred developer of the site. The site was marketed through informal tender but due to changes in the economic climate in late 2022 the submitted expressions of interest did not reflect best value for the Council to proceed.
26. The Council is continuing to explore uses for the site including Biodiversity Net Gain mitigation and a further report will be presented to Cabinet.

JV Neasham Road – Elder Brook Park

27. The Council entered into a JV company with our framework partners to build and sell houses at Neasham Road and agreed funding of £8.50m to facilitate this, to date £6.57m of this has been repaid to the Council. As this scheme is now in the later phases it is not expected that any further draw down of funding will be required and therefore the balance outstanding on the Investment Fund is shown as fully repaid.
28. The current projection is that this scheme will provide a higher return than the originally anticipated pre-tax profit of £1.1m, once the scheme is completed. To date £0.5m of post-tax dividend has been received.
29. The site continues to provide very high levels of interest, with 31 of the 32 properties initially made available in 2025 either sold or reserved.

Burtree Lane Garden Village

30. The Council have engaged the services of Homes by Esh the Council's JV partner to help facilitate a planning application for Council owned land at Faverdale. This forms part of Phase 1 of the Burtree Garden Village site, for which planning permission has been granted including the strategic infrastructure and spine road to open up cell CH.
31. Cell CH forms part of the Burtree Garden Village but sits outside of Phase 1, Cabinet approval was given to undertake surveys and feasibility work to support a detailed planning application.

32. Cabinet approved the Council to enter into an Infrastructure Development Agreement with Homes England in March 2025.
33. All upfront funding from the Investment Fund will be repaid through a future capital receipt.

Feethams House

34. Cabinet agreed to the repayment of £1.7m of European Regional Development Funding (ERDF) to the Government, received for the construction of Feethams House, to facilitate the use of the building by the Treasury and other government departments. This repayment was required as the change in use no longer met the ERDF funding criteria to provide high quality office accommodation to small and medium enterprises.
35. The grant is to be repaid over a three-year term and will be reimbursed through rental income received from the Darlington Economic Campus occupants. To date £1.67m has been repaid to the Investment Fund, with the balance due to be paid in 2025/26.

JV Neasham Road - Hurworth Gardens

36. Cabinet approved the establishment of the Joint Venture Company between the Council and Homes by Esh to acquire the land, deliver infrastructure and build and sell new homes at Neasham Cell C in July 2023 and agreed funding of £6.7m to facilitate this.
37. The estimated pre-tax profit share for the Council is £0.694m on completion of the scheme.
38. Sales at the site are progressing very well with 29 of the 30 properties made available in 2025 either sold or reserved.

JV Blackwell Grange

39. Cabinet approved the creation of a new Joint Venture Company between the Council and Homes by Esh to acquire land and undertake associated works to deliver housing and landscape restoration works to parkland at Blackwell in January 2024. Funding of £8.48m was agreed to facilitate the works.
40. The estimated pre-tax profit share for the Council is £0.871m on completion of the scheme.
41. Sales at the site are progressing very well with 12 of the 12 properties made available in 2025 either sold or reserved and 3 further reservations in the 2026 release.

Land at Coniscliffe Road

42. Cabinet approved the acquisition of a house, plot and orchard on Coniscliffe Road, subject to planning permission, together with the release of funding so that a detailed planning application can be submitted by Homes by ESH Ltd in March 2025.

43. A further report to Cabinet to consider sale terms to Home by ESH Ltd and seeking the authority for the establishment of a new Joint Venture Company will follow.
44. Upfront funding from the Investment Fund will be repaid through a future capital receipt.

Summary

45. The Investment Fund has been used for 17 schemes to date, six of which have been recycled back into the fund.
46. The agreed Investment Fund of £50m has a commitment against it of £35.81m, leaving a balance of £14.19m uncommitted.
47. The JV schemes are anticipated to generate over £8.4m in pre-tax profit dividend, of which the Council has received £4.1m post tax to date to assist the Medium Term Financial Plan, along with surplus income on loan repayments.
48. The Investment Fund is being utilised as envisaged facilitating wide economic benefits as well as a direct positive impact on the Councils financial position.