

CABINET
08 SEPTEMBER 2026

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.
2. To seek approval to increase the value of the fund.

Summary

3. 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.
4. Following the successful implementation, Council agreed to increase the fund by £20m to £50m on 29 November 2018.
5. 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 £9.5m and five of the JV schemes have fully repaid the investment back into the fund, with three schemes completed.
6. The Investment Fund is currently funding thirteen schemes as detailed in the report.
7. Due to the success of the fund and inflationary increases on new schemes since 2018 the current allocation is expected to be fully committed in the short term, therefore an increase of £10m is requested, to allow further investment opportunities to increase resources for the Medium Term Financial Plan (MTFP).

Recommendation

8. It is recommended that Cabinet,
- (a) Note the use of the Investment Fund and the returns achieved through the Joint Venture vehicles.
 - (b) Recommend to Council that the Investment Fund is increased by £10m to £60m, and that the operation of the increased overall fund is delegated to Cabinet in line with previous Council approval.

Reasons

9. The recommendations are 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 gain investment income for the Council.
 - (c) To allow the revised fund to be established.
 - (d) To enable Cabinet to consider detailed proposals, many of which are commercially sensitive.

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.

Council Plan	The use of the Investment Fund contributes to economic development, regeneration and activity therefore contributing to the Council Plan priority. ECONOMY - building a strong sustainable economy and highly skilled workforce with opportunities for all.
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	The increase in the fund size is a Council decision.
Key Decision	The increase in the fund size is a Council 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

10. 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.
11. 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.
12. 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.

Investment update

13. Since the establishment of the fund, Cabinet have agreed to twenty uses (22 separate requests), seven of which have completed with the investment recycled back into the fund. There are thirteen remaining schemes as summarised below:

Investment	Cabinet Agreement Date	Agreed Amount £m's	Repaid £m's	Balance £m's
Markets (MAMDL Ltd)	04/02/25	1.800	0.000	1.800
Neasham Road – Relocation of Cattle Mart	06/03/18	3.140	2.036	1.104
JV - West Park	03/04/18	12.000	12.000	0.000
JV - ESH/DBC North East	03/12/19	9.500	0.000	9.500
Land Acquisition – Faverdale	03/03/20	1.300	0.000	1.300
JV - Neasham Road – Elder Brook Park	15/09/20	8.500	8.500	0.000
Faverdale/Burtree Lane Garden Village	05/10/21 16/07/24 03/03/25	P3	P3	P3
JV – Neasham Road – Hurworth Gardens	03/07/23	6.700	3.570	3.130
JV – Blackwell Grange	09/01/24	8.482	0.000	8.482
Land at Coniscliffe Road	03/03/25	P3	P3	P3
St Modwen Bio-Diversity	04/11/25	P3	P3	P3
STEM Centre	03/03/26	0.180	0.000	0.180
JV – Burtree Garden Village	09/06/26	8.382	0.000	8.382
TOTAL		66.464	26.106	40.358

Note: Those with P3 are Part 3 Cabinet reports.

14. The nine JV schemes approved to date are projected to provide a return on investment of over £9.5m once all houses have been completed and sold. Dividends received to date total £6.612m, including £1.612m from the three schemes that have already completed. These dividends provide income to the MTFP, along with surplus income on loan repayments.
15. The following paragraphs provide an update on the individual schemes committed against the Investment Fund since the last report to Cabinet in September 2025.

Market Asset Management

16. 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.
17. Following the completion of phase 3 of works to improve the market hall, 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

18. 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.
19. £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 £2.036m has been repaid. This scheme is progressing with the construction underway at Elder Brook Park and Hurworth Gardens sites. (see below).

JV West Park

20. The Council entered a Joint Venture Company with our framework partners to build and sell houses at West Park. Funding of £12m was agreed to facilitate this, funding drawn down from this has been fully repaid.
21. This scheme will provide a higher return than the originally anticipated pre-tax profit of £2.1m, once the scheme is completed. To date £3.5m of post-tax dividend has been received.
22. All properties are sold with the site in the post sales completion period.

JV Esh/DBC North East

23. Cabinet approved the establishment of a Joint Venture 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.
24. 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 completed at Gateshead and two have commenced construction at Trimdon and Philadelphia.
25. The site at Bluebell Gardens (Trimdon) is progressing well with 12 of the 17 properties made available in 2026 either sold or reserved.
26. The site at Collier Gardens (Philadelphia) is progressing well with 20 of the 28 properties available in 2026 sold or reserved to date.

Land Acquisition – Land at Faverdale

27. 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.
28. Following discussions with a prospective developer it was identified that a significant part of the site was listed as Open Mosaic and therefore valuable in bio-diversity terms. Cabinet agreed at their November 2025 meeting to allocate one of the three parts of the site for Biodiveristy Net Gain and Nutrient Neutrality Credit. The remaining two parts of the site would continue to seek sale for employment uses (see below).

JV Neasham Road – Elder Brook Park

29. The Council entered into a Joint Venture Company with our framework partners to build and sell houses at Neasham Road and funding of £8.5m was agreed to facilitate this, funding drawn down from this has been fully repaid.
30. 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 £1.5m of post-tax dividend has been received.
31. All properties are sold with the site in the post sales completion period.

Burtree Lane Garden Village

32. 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.

33. 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.
34. Cabinet approved the Council to enter into an Infrastructure Development Agreement with Homes England in March 2025.
35. All upfront funding from the Investment Fund will be repaid through a future capital receipt.
36. Cabinet agreed to the creation of a Joint Venture Company at their June 2026 meeting, for Burtree Garden Village (Cells LMO) which once in operation will provide a capital receipt to repay upfront works (see below).

JV Neasham Road - Hurworth Gardens

37. 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.
38. £5.130m was drawn down against the £6.7m allocation, with £2.0m repaid to date. As repayments have been made and further repayments are expected, no further draw downs from the original allocation are anticipated, hence the balance remaining to be repaid is £3.130m
39. The estimated pre-tax profit share for the Council is £0.694m on completion of the scheme.
40. Sales at the site are progressing very well with 29 of the 31 properties made available in 2026 either sold or reserved.

JV Blackwell Grange

41. 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 £8.482m was agreed to facilitate the works.
42. The estimated pre-tax profit share for the Council is £0.871m on completion of the scheme.
43. Sales at the site are progressing very well with 16 of the 18 properties made available in 2026 either sold or reserved.

Land at Coniscliffe Road

44. 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.

45. 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.
46. Upfront funding from the Investment Fund will be repaid through a future capital receipt.

Land at Faverdale - St Modwen land for Biodiversity net gain and Nutrient Neutrality

47. Cabinet approved at their November 2025 meeting to use part of the former St Modwen land to generate Biodiversity Net Gain (BNG) and Nutrient Neutrality (NN) credits, with the balance of land still to be investigated for disposal for employment land purposes.
48. The use for BNG and NN requires upfront funding from the Investment Fund to make ready for the sale of credits (part 3 of the report), which will be repaid from future income.
49. Work is ongoing to make the land ready for the sale of credits.

STEM Centre

50. Cabinet approved at their March 2026 meeting the use of £0.180m of Investment Fund to enable project plans to be developed to RIBA Stage 2 in preparation for the planning approval process for the construction of a STEM centre on site D of the science park.
51. The STEM centre is funded by a combination of Government Growth Mission Funding (announced by the Chancellor in the November budget) and Pride in Place grant funding. The upfront funding from the Investment Fund will be repaid once the Government grant is confirmed.
52. The final elements of the full business case are in process with the Department for Business and Trade.

JV Burtree Garden

53. 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 and sell housing at Burtree Garden Village in June 2026. Funding of £8.382m was agreed to facilitate the works.
54. The estimated pre-tax profit share for the Council is £0.662m on completion of the scheme.
55. Following Cabinets decision, the JV is in the process of being set up.

Request for additional funding

56. At the time of writing this report Cabinet have allocated £66.464m to the current live projects, with £40.358m remaining invested. There is £9.642m of the current fund unallocated.

57. The Investment Fund has been very successful to date with the JV's providing over £6.6m of dividend returns to the MTFP, which is projected to reach over £9m based on the current agreed JV's, once all houses are completed and sold. In addition, the JV's have provided income to the Council through interest payments the JV makes on the loans made by the Council. These income streams have been key in helping to provide a balanced budget in the MTFP and have reduced the need to reduce other service provision.
58. In addition to direct financial reward the Investment Fund is being used as a catalyst to assist economic growth, for instance the STEM centre upfront investment which provides wider economic benefits.
59. Construction has seen huge inflationary increases nationally since the Investment Fund was increased in November 2018, particularly since the pandemic, which the Council has experienced in our capital programme and our Investment Fund activities. Figures from the Office for National Statistics show that construction output prices have risen for new housing (public and private) by 38.6% between November 2018 and March 2026 and the UK Government figures show the average annual construction material prices for new housing have increased by 43.2% between 2018 and 2025. This means the ability to use the fund for projects has decreased, limiting opportunities for other income generating schemes.
60. There are a number of potential investment opportunities in the near future including additional JV's which may be unaffordable within the current £50m allocation. In order to maximise the income potential of these schemes it is recommended that the Investment Fund be increased from £50m to £60m. The increased fund will operate on the same principles as the current in that all new proposed uses will need to be agreed through a separate Cabinet report and any funding paid back will be recycled into the fund for future projects.
61. The increase in fund will be funded by prudential borrowing so each proposal will be subject to a full financial appraisal which will be included within the report. These reports will allow investment decisions to be made in a timely and commercial manner.