



11 November 2015

Report of	Head of Commercial Services	Author	Fiona Duhamel
	Assistant Chief Executive		 282976
			Steve Heath
			 282389
Title	RIF – Financial Update		
Wards affected	All		

This report concerns a review of the financial position on the RIF (Revolving Investment Fund) and proposed allocation of resources.

1. Decisions Required

- 1.1. To note the financial position in the RIF.
- 1.2. To agree the proposed allocations of funding set out in summary at Para 4.13.

2. Reasons for Decisions

- 2.1 Cabinet agreed to create the RIF as a way to recycle capital receipts into profitable high income producing development schemes and regeneration / economic growth projects. This paper sets out the updated financial position of the RIF and proposes allocations of funding to specific projects.

3. Alternative Options

- 3.1 It would be possible to consider different allocations to projects. However, the proposals in this report represent a considered view of the cost to deliver a number of projects and income budget targets.

4. Supporting Information

Revenue income

- 4.1. The Council's budget and Medium Term Financial Forecast (MTFF) include assumptions in respect of revenue income from activities within the RIF. The table below sets out the total income forecast that specifically relates to the RIF. Given the confidentiality of certain information this is set in more detail in the confidential **Appendix A**. It should be remembered that the figures below represent current targets and will be revised on a regular basis. It should also be noted that, subject to the nature of the lease arrangements, an element of the above figures may need to be classified as capital receipts. Furthermore, the returns for some of the investments shown in this report may start or increase after the period shown.

	2015/16	2016/17	2017/18	2018/19	Ongoing
	£'000	£'000	£'000	£'000	£'000
Forecast	(123)	(305)	(709)	(954)	(954)

- 4.2. The appendix also sets out anticipated additional business rates income generated from RIF activities.

Expenditure forecast

- 4.3. Reports to this Committee and Cabinet have previously shown anticipated spend on certain projects and some allocations for general themes of work. A detailed review of projected costs for various programmes from 2015/16 onwards has been carried out and this is detailed at **Appendix B** and summarised below:

	2015/16	2016/17	2017/18	2018/19	Total
	£'000	£'000	£'000	£'000	£'000
Northern Gateway - North	331	256	0	0	587
North Gateway - South	190	470	0	0	660
Town Centre	2,147	490	1,100	5,000	8,737
East Colchester	268	145	0	0	413
Other investment opportunities	1,362	3,800	700	500	6,362
Total RIF	4,298	5,161	1,800	5,500	16,759

- 4.4. This information shown does not make a distinction between capital and revenue costs, and it is likely that an element of the costs shown above will need to be charged to and funded from revenue resources.
- 4.5. It has previously been agreed that the three main sources of funding into the RIF would initially be existing capital programme allocations, capital receipts and revenue funding. The following paragraphs detail how the above projections will be funded from these three sources.

Existing capital programme allocations

- 4.6. The balances against existing capital projects have been reviewed and re-allocated in accordance with the above spending allocations. The table below shows the balances brought forward from 2014/15 that have been allocated to these schemes, plus any in year allocations. It then compares this total resource to the projected spend (para 4.3) to identify the level of resource requiring funding from capital receipts and revenue.

	B/Fwd	In-year	Total Prog	Forecast	Shortfall
	£'000	£'000	£'000	£'000	£'000
Northern Gateway - North	216	27	243	587	344
North Gateway - South	0	0	0	660	660
Town Centre	1,715	303	2,018	8,737	6,719
East Colchester	190	10	200	413	213
Other investment opportunities	361	4,000	4,361	6,362	2,001
Total RIF	2,482	4,340	6,822	16,759	9,937

- 4.7. The £6.8m in the current capital programme includes £4.6m of capital receipts, and external grant funding totalling £1.8m, with the remainder consisting of Section 106 and revenue funding.

Capital receipts

- 4.8. The confidential **Appendix C** details the latest capital receipt position showing a projection for receipts up to 2018/19. In total this forecasts £9.5m of uncommitted receipts over this period as summarised below:

	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
Shortfall / (Surplus) B/Fwd	(168)	(1,339)	(3,601)	(6,619)
Uncommitted Capital Receipts	(1,171)	(2,262)	(3,018)	(3,018)
Shortfall / (Surplus) C/Fwd	(1,339)	(3,601)	(6,619)	(9,637)

Revenue Funding

- 4.9. Delivering capital investment and generating capital receipts requires incurring costs such as pre-development, master planning, marketing, communications / public engagement and technical studies. Some of these may be treated as revenue or capital as appropriate. The issue of providing some revenue funding **into** the ring fence is therefore essential to provide some flexibility. The Council has already agreed revenue contributions towards the RIF, which have been transferred into an earmarked reserve. The current balance against this reserve is summarised below:

	£'000
2014/15 Balance B/Fwd	765
Movement to date 2015/16	315
Current Balance	1,080

- 4.10. In addition to the resources shown above, the earmarked reserve is currently planned to increase by an annual contribution of £250k from the New Homes Bonus from 2016/17.
- 4.11. Section 106 monies have also been released to support specific projects. These currently total £340k and comprise £263k for the Creative Business Hub and £77k for Surface Water Flooding at Distillery Lane/Haven Road. They are included in the "Existing Capital Programme" line in the table at 4.12 below.

Summary RIF position

- 4.12. The following table provides a summary of the RIF account. This shows that based on the forecast expenditure, capital receipts and revenue contributions set out in the above paragraphs, the account is broadly balanced, showing a surplus of £780k as at the end of 2018/19.

	2015/16	2016/17	2017/18	2018/19	Total
	£'000	£'000	£'000	£'000	£'000
Total Schemes	4,298	5,161	1,800	5,500	16,759
Funded by:					
Existing Capital Programme	(3,322)	(3,300)	(200)		(6,822)
Projected Capital Receipts	(1,339)	(2,262)	(3,018)	(3,018)	(9,637)
Use of earmarked reserve	(1,080)				(1,080)
Sub total	(5,741)	(5,562)	(3,218)	(3,018)	(17,539)
Shortfall / (Surplus) C/Fwd	(1,443)	(1,844)	(3,262)	(780)	(780)

- 4.13. Based on the above summary, it is proposed that the budgets for RIF projects in the capital programme are adjusted to match the revised forecast in **Appendix B**. It should be noted that in the early stages of projects a lot of costs may need to be classed as Revenue expenditure, and as such will need to be funded from the revenue reserve.
- 4.14. Future monitoring reports will review progress against funding targets, level of spending, changes to existing allocations and income projections.

5. Strategic Plan References

- 5.1. The proposal contributes to the Council's aim to be more financially sustainable and also delivers against the following areas in the Strategic Plan of Regenerating our borough through buildings, employment, leisure and infrastructure and bringing investment to the borough.

6. Consultation and Publicity Considerations

- 6.1 No specific issues in respect of this report, however, publicity and consultation will be considered for specific projects as appropriate.

7. Financial implications

- 7.1 These are set out within the report.

8. Equality, Diversity and Human Rights, Community Safety and Health and Safety implications

- 8.1 None identified at this stage.

9. Risk Management Implications

- 9.1 The main area of risk identified concerns the financial risk attached to delivery of income targets (capital and revenue) and management of costs within allocations. This will be managed through regular monitoring and reporting on the RIF position.