

# Revolving Investment Fund Committee Meeting

**Grand Jury Room, Town Hall, High Street,  
Colchester, CO1 1PJ**

**Wednesday, 06 December 2017 at 18:00**

The Revolving Investment Fund Committee has delegated authority from Cabinet to manage the Revolving Investment Fund, which has been established for the commercial management, disposal of and investment into key assets in order to drive forward income generation projects.



# Information for Members of the Public

## Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda (the list of items to be discussed at a meeting), which is usually published five working days before the meeting, and minutes once they are published. Dates of the meetings are available here:

<https://colchester.cmis.uk.com/colchester/MeetingCalendar.aspx>.

Most meetings take place in public. This only changes when certain issues, for instance, commercially sensitive information or details concerning an individual are considered. At this point you will be told whether there are any issues to be discussed in private, if so, you will be asked to leave the meeting.

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## **Revolving Investment Fund Committee**

### **Terms of Reference**

To make decisions regarding the following:

- (1) Develop and Set the re-investment strategy for the rolling 5 year programme including:
  - (a) Establishment of a pipeline of high rental growth projects (subject to approval by way of a business case process) and subject to a spending cap of £5m
  - (b) Agree annual capital funds to be set aside for opportunity purchase of land/new investment assets (subject to investment business case being made).
- (2) A Project selection process – Establish a process for spend on non-income producing regeneration projects (subject to business case).
- (3) Developing and monitoring a capital receipts programme.
- (4) Developing and monitoring investment performance against key financial targets.
- (5) Developing a monitoring framework for schemes being developed with RIF investment.
- (6) Develop a strategy for any borrowing activities within the fund (subject to the Council's overall treasury management strategy).
- (7) Project Appraisal – Development of a formal business case procedure to include the following criteria:
  - (a) Return on investment (or regeneration outputs for non-income producing regeneration projects) – would income from the proposed project meet rates of return required to invest the capital requested?
  - (b) Deliverability – including a review of the planning status, barriers to development, market conditions, ownership and legal limitations
  - (c) Strategic fit – does the project support Council Strategic Priorities?
  - (d) Timescale for commencement of income
  - (e) Risk versus reward – Does the projected income outweigh the deliverability risks from the investment of capital, what is the security of income?
  - (f) Wider economic impacts – the wider impact of the project on the local economy eg stimulating other local development, contributing to growth of local business or housing targets, local supply chain utilisation.
- (8) Development and overseeing the overall approach to investment risk management including appropriate reviews of risks within the RIF against wider Council risk register.
- (9) Developing the mechanism for new assets to be added to the RIF capital receipts programme.

The Committee will have the authority to commission any reports or external advice/advisors that it needs to fulfil its responsibilities.

**COLCHESTER BOROUGH COUNCIL  
Revolving Investment Fund Committee  
Wednesday, 06 December 2017 at 18:00**

**The Revolving Investment Fund Committee Members are:**

Councillor Mark Cory  
Councillor Tim Young  
Councillor Annie Feltham  
Councillor Paul Smith

**The Revolving Investment Fund Committee Substitute Members are:**

All members of Cabinet who are not members of this Committee.

The Chairman of the Trading Board, Councillor Rosalind Scott, is also invited to attend meetings of the Revolving Investment Fund Committee as an observer.

**AGENDA  
THE LIST OF ITEMS TO BE DISCUSSED AT THE MEETING  
(Part A - open to the public)**

**Please note that Agenda items 1 to 6 are normally dealt with briefly.**

**1 Welcome and Announcements**

The Chairman will welcome members of the public and Councillors and remind everyone to use microphones at all times when they are speaking. The Chairman will also explain action in the event of an emergency, mobile phones switched to silent, audio-recording of the meeting. Councillors who are members of the committee will introduce themselves.

**2 Substitutions**

Councillors will be asked to say if they are attending on behalf of a Committee member who is absent.

**3 Urgent Items**

The Chairman will announce if there is any item not on the published agenda which will be considered because it is urgent and will explain the reason for the urgency.

**4 Declarations of Interest**

Councillors will be asked to say if there are any items on the agenda about which they have a disclosable pecuniary interest which would prevent them from participating in any discussion of the item or participating in any vote upon the item, or any other pecuniary interest or non-pecuniary interest.

**5 Minutes of Previous Meeting**

The Councillors will be invited to confirm that the minutes of the meeting held on 28 June 2017 are a correct record.

**Minutes 28-06-17**

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**6 Have Your Say!**

The Chairman will invite members of the public to indicate if they wish to speak or present a petition on any item included on the agenda or any other matter relating to the terms of reference of the meeting. Please indicate your wish to speak at this point if your name has not been noted by Council staff.

**7 Revolving Investment Fund Committee - Financial Update**

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The Committee will consider a report that provides an update on projected revenue income generated by the Revolving Investment Fund (RIF), its capital expenditure, and projected capital receipts.

**8 Exclusion of the Public (Cabinet)**

In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

**Part B**  
**(not open to the public including the press)**

**9 Revolving Investment Fund Committee - Financial Update (Part B)**

The Committee will consider Appendices, A, C and D to the report on the Revolving Investment Fund Financial Summary in Part A of the agenda.

**REVOLVING  
INVESTMENT FUND  
COMMITTEE**

**28 June 2017**

*Present:-* Councillors Cory, Feltham, Smith, T. Young

Councillor Scott attended as an observer in her capacity as Chairman of the Trading Board

**62. Appointment of Chairman**

*RESOLVED* that Councillor Cory be appointed as Chairman for the 2017-18 municipal year.

**63. Appointment of Deputy Chairman**

*RESOLVED* that Councillor T. Young be appointed as Deputy Chairman for the 2017-18 municipal year.

**64. Minutes**

*RESOLVED* that the minutes of the meeting held on 29 March 2017 be confirmed as a correct record.

**65. Delegation of the appointment of the main contractor for the redevelopment of 5-6 St Nicholas Street (Jacks) and agreement to dispose of the developed building on a long leasehold or freehold basis**

The Strategic Director, Commercial and Place, submitted a report a copy of which had been circulated to each Member.

Fiona Duhamel, Economic Growth Manager, introduced the report to the Committee and set out the background to the redevelopment of 5-6 St Nicholas Street. The scheme now had planning permission for the change of use to seven flats and for a commercial unit. Invitations to tender for the development had been sent out to contactors in May 2017. However, in view of the timescales and the schedule of Revolving Investment Fund (RIF) Committee meetings, it was requested that authority for the appointment of the main contractor be delegated to either the Strategic Director Commercial and Place or the Assistant Director Policy and Corporate. In addition it was proposed to commence the soft marketing of the residential and commercial units. Once marketing advice had been received and a period of marketing undertaken, the scheme would be reported back to the

Committee for decisions on the final disposal of the site.

In discussion members of the Committee highlighted the value of the feasibility study, which had been the subject of some public criticism. This was a complex building with a number of specialist issues and the feasibility study had enabled the Council to bring a popular building back into use whilst delivering housing in the town centre and an income stream to the Council. It was anticipated that the construction phase would take between seven to nine months and that the units would be ready for the spring market. Members were also provided with reassurance that a number of issues, such as sound-proofing, had been addressed through the planning process.

Members also explored whether the development of the units could be transferred to the Housing Development Company, but it was explained that the Company would be established on 1 October 2017 whilst the units were under construction, and it would be very difficult to transfer a project to the Company once building work had commenced.

*RESOLVED* that:-

- (a) Authority be delegated to the Strategic Director Commercial and Place or Assistant Director Policy and Corporate, in consultation with the Portfolio Holder for Business and Culture, the authority to appoint the main contractor for the conversion of 5 – 6 St Nicholas Street (Jacks) into 7 flats and a commercial unit, subject to the cost of the works not exceeding the budget previously approved by the RIF Committee.
- (b) Soft marketing of the residential and commercial units commence through an agent with the proposal to dispose of the whole building on a freehold or long leasehold basis.
- (c) The requirement to sell the residential element of the building be noted
- (d) The receipt from the sale of the building be reinvested in the provision of new homes across the Borough to be delivered through the wholly owned housing company.

## *REASONS*

The tender process for this work commenced on 30th May 2017 and will last for 8 weeks. The Council will be ready to appoint a contractor in the early part of August. In order to ensure that there are not delays in the appointment of the contractor officers are asking for the RIF Committee to agree that as long as the successful tender does not exceed the budget previously approved by the RIF Committee and set out in the attached not for publication appendix the appointment of contractor can be delegated as per section 1 of the Strategic Director's report.

The value of the main contract is expected to exceed £500,000 and RIF Committee approval to appoint the main contractor is required.

Until the Housing Wholly Owned Company is established the Council cannot legally rent out residential properties directly on a private basis. It will therefore be necessary to sell the flats. The Council is also considering a disposal of the commercial unit, although this may depend upon the advice received from the marketing agents and the level of interest from occupiers, and an agent will be procured to market the property.



There are various ways to dispose of the property and it is proposed to come back to the RIF Committee to provide detailed options for the disposal of the site, prior to the start of construction, following advice from the appointed agents.

#### *ALTERNATIVE OPTIONS*

The tender process could be undertaken and then the RIF Committee could be asked to make a decision regarding the appointment of the contractor which would result in a delay in appointing the contractor.

The Council could consider transferring the asset to the wholly owned Housing Company which could hold the residential units for rent, however the company is unlikely to be established prior to the start of construction.

### **66. Revolving Investment Fund Financial Update**

The Assistant Chief Executive submitted a report a copy of which had been circulated to each Member.

Steve Heath, Finance Manager, introduced the report to the Committee.

The Committee noted the substantial inward investment that the Revolving Investment Fund provided. The contents of Appendix B were highlighted, and in particular it was highlighted that no projects were at red status. The Northern Gateway Extra Care site had now been considered and approved by Cabinet. Whilst it was noted that there had been an overspend on the Creative Business Centre that would be met from elsewhere in the RIF, this was a valuable scheme and the overspend had been fully justified. Further information about the scheme to alleviate flooding on Distillery Lane and Haven Road was sought, but this could not be provided until the Feasibility Study was completed.

*RESOLVED* that the latest financial position on the Revolving Investment Fund be noted.

#### *REASONS*

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 report set out the updated financial position of the RIF and proposes allocations of funding to specific projects.

#### *ALTERNATIVE OPTIONS*

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.

**The Committee resolved under Section 100A(4) of the Local Government Act 1972 and in accordance with the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 to exclude the public from the meeting for the following item as they involved the likely disclosure of exempt**

**information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.**

**67. Minutes**

*RESOLVED* that the not for publication extract from the minutes of the meeting held on 29 March 2017 be confirmed as a correct record.

**The Committee resolved under Section 100A(4) of the Local Government Act 1972 and in accordance with the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 to exclude the public from the meeting for the following item as they involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.**

**68. Delegation of the appointment of the main contractor for the redevelopment of 5-6 St Nicholas Street (Jacks) and agreement to dispose of the developed building on a long leasehold or freehold basis**

*RESOLVED* that the appendix to the Strategic Director's report be noted.

*REASONS*

As set out in minute 65.

*ALTERNATIVE OPTIONS*

As set out in minute 65.

**The Committee resolved under Section 100A(4) of the Local Government Act 1972 and in accordance with the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 to exclude the public from the meeting for the following item as they involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.**

**69. Revolving Investment Fund Financial Update**

*RESOLVED* that the appendices to the Assistant Chief Executive's report be noted.

*REASONS*

As set out in minute 66.

*ALTERNATIVE OPTIONS*

As set out in minute 66.

6 December 2017

<b>Report of</b>	<b>Assistant Director Policy and Corporate</b>	<b>Author</b>	<b>Fiona Duhamel</b> ☎ 282976 <b>Steve Heath</b> ☎ 282389
<b>Title</b>	<b>Revolving Investment Fund – Financial Update</b>		
<b>Wards affected</b>	All		

## 1. Executive Summary

- 1.1. This report provides an update on projected revenue income generated by the Revolving Investment Fund (RIF), its capital expenditure, and projected capital receipts.
- 1.2. Projected annual revenue income is currently projected to increase to over £900k by 2021/22.
- 1.3. The overall RIF capital programme currently stands at £41m. Whilst it is ‘broadly balanced’ over the medium-term, there remain a number of risks attached to the capital receipts.
- 1.4. Funding for any new projects or commercial opportunities is limited, and there are no further capital receipts forecast. Whilst progress continues to be made regarding the projected capital receipts, the timing of these means that there is an expected short term borrowing exposure.
- 1.5. The report provides details of the implications of longer term borrowing to support the RIF as part of the wider capital programme and budget proposals.

## 2. Recommended Decision

- 2.1. To note the latest financial position for the Revolving Investment Fund (RIF).
- 2.2. To agree the reallocation of £1.15m of existing resources to meet the proposed detailed funding allocations in **Appendix D**.

## 3. Reasons for Recommended Decision

- 3.1 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.

## 4. Alternative Options

- 4.1 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.

## 5. Supporting Information

### *Revenue income*

- 5.1 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. This is set out in more detail in the confidential **Appendix A**, which also shows how the forecast has changed since it was last reported to the Committee in June 2017. 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 in this report may start or increase after the period shown.

	2017/18	2018/19	2019/20	2020/21	2021/22	Ongoing
	£'000	£'000	£'000	£'000	£'000	£'000
Forecast	(328)	(668)	(669)	(819)	(911)	(911)

### *Expenditure forecast*

- 5.2 The financial update that was reported to this Committee in November 2015 proposed an initial allocation of £16.8m to RIF schemes that was funded from existing capital schemes, capital receipts and revenue funding. After taking account of 2015/16 and 2016/17 expenditure and additional funding allocated to the RIF, the programme now stands at £41m. This is detailed in **Appendix B** alongside expenditure forecasts to 2019/20. These forecasts show a projected overspend of £174k against the Creative Business Centre. It is proposed that this is met by allocating resources from elsewhere in the RIF budget as detailed below.
- 5.3 **Appendix B** includes a RAG (Red, Amber, Green) status of overall project performance against capital schemes. The following schemes are currently shown as Amber within the capital programme:
- Northern Gateway – Sports Hub.
  - Northern Gateway South.
  - Surface Water Flooding – Distillery Lane/Haven Road.
  - Creative Business Centre.
- 5.4 The following table provides a summary of the RIF account, which is detailed in the confidential **Appendix C**. The latest forecast of expenditure, capital receipts and revenue contributions shows a deficit of £495k by the end of 2021/22, with a larger short-term borrowing requirement in the intervening period.

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Shortfall / (Surplus) B/Fwd	2,010	(91)	6,320	2,033	764
Total Schemes	6,941	17,148	17,456	0	0
Total Funding	(9,043)	(10,737)	(21,743)	(1,269)	(269)
<b>Shortfall / (Surplus) C/Fwd</b>	<b>(91)</b>	<b>6,320</b>	<b>2,033</b>	<b>764</b>	<b>495</b>

- 5.5 It should be noted that in addition to the potential short-term borrowing impact referred to above, the capital programme assumes new indicative long-term borrowing for the Northern Gateway Sports Hub and Heat Network and Sheepen Road, based on decisions made by Cabinet. In addition, further borrowing will be required in respect of the Council's financial investment in the new Housing and Energy companies. This will be updated based on the business plans being produced for the new commercial companies so that the overall revenue impact and risks can be considered by a future meeting of Cabinet.

- 5.6 A number of new detailed areas of spend have been identified. These total £1.15m, and are shown in **Appendix D**. It is proposed that these are funded from existing funding allocations, which includes Jacks, Sheepen Road Phase 1, East Colchester enabling monies and land acquisition. It also takes into account the overspend relating to the Creative Business Centre.
- 5.7 Delivering capital investment and generating capital receipts requires incurring costs such as pre-development, master planning, marketing, communications / public engagement and technical studies. It should be noted that in the early stages of projects a lot of the projected costs may need to be classed as revenue expenditure, and as such will need to be funded from the revenue reserve. Providing revenue funding **into** the ring fence is therefore essential to provide some flexibility. As detailed above and in **Appendix C**, the Council has agreed revenue contributions towards the RIF, which have been transferred into an earmarked reserve.
- 5.8 Taking all of the above into account, the revenue impact of the temporary and long-term borrowing is estimated to be as shown below based on prevailing PWLB borrowing rates. These figures include the statutory provision for the repayment of the principal amounts of long term debt.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Shortfall / (Surplus) C/Fwd	(91)	6,320	2,033	764	495
Cumulative LT Borrowing	0	4,282	5,662	5,662	5,662
Av. short-term borrowing cost (1.2%)	(1)	37	50	17	8
Av. long-term borrowing cost (2.5%)	0	54	124	142	142
MRP (40 year life)	0	0	107	142	142
<b>Revenue cost</b>	<b>(1)</b>	<b>91</b>	<b>281</b>	<b>301</b>	<b>292</b>

- 5.9 The draft proposal to allocate New Homes Bonus funding to support these borrowing costs will be considered by Cabinet in January as part of the budget report. This will help manage the cash flow implications, but will not provide funding to cover further new borrowing.
- 5.10 It is still necessary to ensure that future capital receipt projections are monitored and remain realistic and achievable. Future monitoring reports will review progress against funding targets, level of spending, changes to existing allocations and income projections.

## 6. Strategic Plan References

- 6.1. 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.

## 7. Consultation and Publicity Considerations

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

## 8. Financial implications

- 8.1 These are set out within the report.

**9. Equality, Diversity and Human Rights, Community Safety and Health and Safety implications**

9.1 None identified at this stage.

**10. Risk Management Implications**

10.1 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.

**Appendices**

Appendix A: Revenue Income Projections (Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (financial / business affairs of a particular person, including the authority holding information)).

Appendix B: RIF – Capital Programme 2017/18

Appendix C: RIF – Medium Term Forecast (Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (financial / business affairs of a particular person, including the authority holding information)).

Appendix D: Proposed Expenditure (Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (financial / business affairs of a particular person, including the authority holding information)).

**Background Papers**

None

Service / Scheme	Total Programme	Spend to Q2	2017/18	2018/19	2019/20	(Surplus) / Shortfall	RAG Status
	£'000	£'000	£'000	£'000	£'000	£'000	Q2
<b>REVOLVING INVESTMENT FUND</b>							
Northern Gateway North	218.9	7.5	218.9	0.0	0.0	0.0	G
CNGN - Mile End Cricket	200.0	0.0	200.0	0.0	0.0	0.0	G
CNGN - Sports Hub	24,100.0	82.0	1,182.0	7,762.0	15,156.0	0.0	A
Northern Gateway South	410.9	253.3	410.9	0.0	0.0	0.0	A
Town Centre	5,157.7	345.7	366.7	4,791.0	0.0	0.0	G
Creative Business Centre	(169.5)	4.6	4.6	0.0	0.0	174.1	A
Jacks - St Nicholas St	969.3	96.5	969.3	0.0	0.0	0.0	G
Sheepen Road Phase 1	890.9	512.4	890.9	0.0	0.0	0.0	G
Sheepen Road Phase 2	2,200.0	0.0	200.0	2,000.0	0.0	0.0	G
District Heating Project North	208.2	39.5	208.2	0.0	0.0	0.0	G
Colchester Northern Gateway Heat Network	5,900.0	0.0	1,200.0	2,400.0	2,300.0	0.0	G
East Colchester Enabling Fund	271.0	0.0	271.0	0.0	0.0	0.0	G
Breakers Park	69.0	0.0	69.0	0.0	0.0	0.0	G
Surface Water Flooding - Distillery Lane/Haven Road	73.4	0.0	73.4	0.0	0.0	0.0	A
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	G
Moler Works Site	40.7	37.6	40.7	0.0	0.0	0.0	G
CMP Phase 3 - PV Systems	95.4	0.0	95.4	0.0	0.0	0.0	G
Business Broadband	20.6	0.5	20.6	0.0	0.0	0.0	G
Land Acquisition	345.3	0.0	150.0	195.3	0.0	0.0	G
<b>TOTAL - RIF</b>	<b>41,006.6</b>	<b>1,379.6</b>	<b>6,576.4</b>	<b>17,148.3</b>	<b>17,456.0</b>	<b>174.1</b>	

