

Revolving Investment Fund Committee Meeting

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

Wednesday, 28 June 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

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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, 28 June 2017 at 18:00

Member:

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

Substitutes:

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 - Part A
(open to the public including the press)

Members of the public may wish to note that Agenda items 1 to 5 are normally brief.

1 Appointment of Chairman

To appoint a Chairman for the 2017-18 municipal year.

2 Appointment of Deputy Chairman

To appoint a Deputy Chairman for the 2017-18 municipal year.

3 Welcome and Announcements

a) The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.

(b) At the Chairman's discretion, to announce information on:

- action in the event of an emergency;
- mobile phones switched to silent;
- the audio-recording of meetings;
- location of toilets;
- introduction of members of the meeting.

4 Substitutions

Members may arrange for a substitute councillor to attend a meeting on their behalf, subject to prior notice being given. The attendance of substitute councillors must be recorded.

5 Urgent Items

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent, to give reasons for the urgency and to indicate where in the order of business the item will be considered.

6 Declarations of Interest

The Chairman to invite Councillors to declare individually any interests they may have in the items on the agenda. Councillors should consult Meetings General Procedure Rule 7 for full guidance on the registration and declaration of interests. However Councillors may wish to note the following:-

- Where a Councillor has a disclosable pecuniary interest, other pecuniary interest or a non-pecuniary interest in any business of the authority and he/she is present at a meeting of the authority at which the business is considered, the Councillor must disclose to that meeting the existence and nature of that interest, whether or not such interest is registered on his/her register of Interests or if he/she has made a pending notification.
- If a Councillor has a disclosable pecuniary interest in a matter being considered at a meeting, he/she must not participate in any discussion or vote on the matter at the meeting. The Councillor must withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.
- Where a Councillor has another pecuniary interest in a matter being considered at a meeting and where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Councillor's judgement of the public interest, the Councillor must disclose the existence and nature of the interest and withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.
- Failure to comply with the arrangements regarding disclosable pecuniary interests without reasonable excuse is a criminal offence, with a penalty of up to £5,000 and disqualification from office for up to 5 years.

7 Minutes

To confirm as a correct record the minutes of the meeting held on 29 March 2017.

29-03-17 minutes

9 - 12

- 8 **Have Your Say!**
- a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter relating to the terms of reference of the Committee/Panel not on this agenda. You should indicate your wish to speak at this point if your name has not been noted by Council staff.
- (b) The Chairman to invite contributions from members of the public who wish to Have Your Say! on a general matter relating to the terms of reference of the Committee/Panel not on this agenda.
- 9 **Delegation of the Appointment of the Main Contractor for the Redevelopment of 5-6 St Nicholas Street ("Jacks") and Agreement to Dispose of the Building on a Long Leasehold Basis** 13 - 18
- See report by the Strategic Director, Commercial and Place.
- 10 **Revolving Investment Fund - Financial Update** 19 - 24
- See report by the Assistant Chief Executive
- 11 **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)

- 12 **Minutes - Part B**
- To approve the not for publication extract from the minutes of the meeting on 29 March 2017.
- 13 **Delegation of the Appointment of the Main Contractor for the Redevelopment of 5-6 St Nicholas Street ("Jacks") and Agreement to Dispose of the Building on a Long Leasehold Basis - Part B**

See Appendix to the Strategic Director Commercial and Place's report.

14 **Revolving Investment Fund - Financial Update (Part B)**

See Appendices A and C to the Assistant Chief Executive's report.

**REVOLVING
INVESTMENT FUND
COMMITTEE**

29 March 2017

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

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

Also in attendance:- Councillor Jarvis

56. Minutes

RESOLVED that the minutes of the meeting held on 18 October 2016 be confirmed as a correct record.

57. Disposal of the Severalls Mixed Use Site

The Assistant Chief Executive submitted a report a copy of which had been circulated to each Member. Patrick O'Sullivan, North Colchester Project Manager, attended and presented the report. It was proposed that the site be disposed of for the development of a mixed uses site. Part of the capital receipt would be used for the development of affordable housing, possibly on another site.

Members of the Committee welcomed the proposal which would generate a significant receipt for the Council as well as lead to the development of affordable housing. It was noted that the site was not yet in Council ownership, but the Committee received reassurance from officers that this did not prevent the Committee from taking decisions on the disposal of the site. The Committee commended the foresight of Council officers in recognising the potential value of the site and arranging for the transfer of site to the Council.

RESOLVED that:-

- (a) The Severalls Mixed Use Site be disposed of
- (b) The proposal to dispose of the site for the development for a mixed use retail and residential development as detailed in the report on Part B of the agenda be noted
- (c) It be noted that part of the capital receipt for this site is proposed to be earmarked for investment into affordable housing, with the remainder being allocated into the Revolving Investment Fund as detailed in the report on Part B of the agenda.

- (d) Authority for the negotiation of the Head of Terms and conclusion of legal documents be delegated to the Strategic Director, Commercial and Place.

REASONS

The RIF was established to recycle capital receipts into projects that could deliver against a number of Council objectives. The RIF can be used to support wider economic growth targets and deliver infrastructure supporting regeneration but its principle function is to recycle capital funds from the sale of assets for investment into income producing opportunities which can in turn support provision of frontline Council services. The sale of the Severalls Mixed Use site will provide a capital receipt which can be then used to invest in other RIF projects.

ALTERNATIVE OPTIONS

The Council could redevelop the site itself and then either sell it or retain it as a long term asset. Development appraisals for various different types of development have been undertaken and while a profitable scheme could be produced the residual value of these is significantly less than the offers that have been received for the site.

58. Colchester Northern Gateway (North) Sports and Recreation Development – Professional Fees Approval

The Strategic Director, Commercial and Place, submitted a report a copy of which had been circulated to each Member. Lois Bowser, Project Manager, attended and presented the report. As the Northern Gateway project progressed towards the submission of planning applications it was necessary to engage a robust, multi-disciplinary team of specialists. It was proposed to do so through a consultancy framework, which would be quicker and provide better value than engaging consultants through separate procurement processes.

RESOLVED that:-

- (a) The Scape Consultancy Framework agreement be used to award a contract to Perfect Circle JV Ltd to lead the project management, with responsibility to appoint specialist sub-contractors from the framework in order to develop the feasibility assessments, cost reviews and planning application leading to procurement documentation for the Northern Gateway sports and recreation project.
- (b) The fee estimate provided by Gleeds for them to carry out the functions in decision (a) above and as detailed in the not for publication Appendix A to this report be noted.
- (c) Authority be delegated to the Strategic Director, Commercial and Place to agree the final fees quoted by Gleeds once the detailed feasibility and cost assessments are concluded

(d) To note that a further report on progress on the project including a contractor procurement strategy will be presented to a subsequent RIF Committee later in spring 2017.

REASONS

To enable officers to progress to the next stage of the project working with an experienced team of specialists in order to continue to develop a feasible scheme that is acceptable in planning terms and will lead to the procurement of a contractor.

To ensure that the Revolving Investment Fund Committee is aware of the costs of the fees incurred in relation to the next stage of the project and the controls in place through using the Framework Agreement.

To ensure that the Revolving Investment Fund Committee is aware of the progress to bring about the development of a key and viable sports and recreation project within the Northern Gateway leisure destination.

ALTERNATIVE OPTIONS

To procure a team of specialists from one or more companies through separate procurement processes. This would be time consuming, more costly and would require careful co-ordination of a range of different experts in order to bring the project forward to a tight timescale and budget.

The appointment of individual firms of specialists as and when required for the task in hand. This would pose significant co-ordination problems with the risk that overarching issues may be inadvertently overlooked without the structure of a team-based approach, undermining the integrity of the project.

To appoint a team through a different Framework Agreement of which there is a wide variety but whose regional and local authority focus may not be as strong nor be able to accommodate some of the key consultants who have been involved with the project from its inception. This would result in the loss to the project of this accumulated experience, knowledge and continuity.

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.

59. Minutes

RESOLVED that the not for publication extract from the minutes of the meeting held on 18

October 2016 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.

Councillor T. Young (in respect of his membership of the Co-op) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(5).

60. Disposal of the Severalls Mixed Use Site


This minute is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

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.

61. Colchester Northern Gateway (North) Sports and Recreation Development Professional Fees Approval

This minute is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

28 June 2017

Report of	Strategic Director Commercial and Place	Author Howard Davies  507885
Title	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 freedhold basis.	
Wards affected	Castle	

This report concerns the delegation of the appointment of the main contractor for the conversion of 5-6 St Nicholas Street (Jacks) into 7 flats and a commercial unit and the proposed disposal of the building following redevelopment.

1. Decision(s) Required

- 1.1 To delegate to the Strategic Director Commercial and Place or Assistant Director Policy and Corporate Services, 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. The budget for the project is submitted as an appendix to this report, which is published in part B of the agenda as it contains exempt information.
- 1.2 To agree to commence soft marketing of the residential and commercial units through an agent with the proposal to dispose of the whole building on a freehold or long leasehold basis.
- 1.3 To note that there will be a requirement to sell the residential element of the building.
- 1.4 To agree that the receipt from the sale of the building will be reinvested in the provision of new homes across the Borough to be delivered through the wholly owned housing company.

2. Reasons for Decision(s)

- 2.1 The tender process for this work commenced on the 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 this report.

- 2.2 The value of the main contract is expected to exceed £500,000.00 and RIF Committee approval to appoint the main contractor would be required.
- 2.3 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.
- 2.4 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.

3. Alternative Options

- 3.1 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.
- 3.2 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.

4. Supporting Information

- 4.1 The Council allocated £30k in 2015 to carry out a feasibility exercise into the opportunity to redevelop 5-6 St Nicholas Street for a mixed used development. This work included, initial designs, cost plans, building surveys, planning, viability work and investigations into general market conditions in the locality. This was undertaken by Purcell, a Colchester based architectural firm.
- 4.2 This business case and funding strategy was agreed at the February 2016 RIF.
- 4.3 Planning permission for the change of use to 7 flats and a flexible A1/2 and 3 use was granted in February 2017 and the tenants vacated the building in March 2017. Enabling work has been undertaken including archaeological investigations, asbestos removal and a soft strip of the property to expose the timber frame.
- 4.4 Work has continued to refine the plans and costings for the proposed redevelopment. A cost plan has been produced which indicates that the redevelopment can be undertaken within budget and provides a 5% contingency. Detailed drawings and a specification has been produced as part of the tender package which went out to contractors via the Councils Procurement Hub on the 30th May 2017.
- 4.5 A tender has also been sent out to three estate agencies to gauge interest in marketing the properties.

5. Proposals

- 5.1 To delegate to the Strategic Director Commercial and Place or Assistant Director Policy and Corporate Services, in consultation with the Portfolio Holder for Business and Culture, the authority to approve and appoint the main contractor for the redevelopment

of 5-6 St Nicholas Street (Jacks) into 7 flats and 1 commercial unit. This would be subject to the costs of the works not exceeding the budget previously approved by the RIF Committee (as set out in the not for publication appendix attached to this report).

- 5.2 It is also proposed to sell the building once redevelopment works are complete with the method of sale ie freehold or leasehold to be determined once agents advice has been given and a period of marketing has been undertaken. A further recommendation to RIF will be made at this time.

6. Strategic Plan References

- 6.1 The scheme will “Promote Colchester to attract further inward investment and additional businesses, providing greater and more diverse employment” by investing in an area of the town centre which is currently not benefiting from private sector investment.
- 6.2 The preferred development is expected to “Promote Colchester’s heritage and wide ranging tourism attractions to enhance our reputation as a destination” by giving a new lease of life to a well loved historical building within the town centre.
- 6.3 The Council also has an aspiration to use its estate in a more commercial manner. The disposal of the redeveloped building and the reinvestment of the receipt from this to the provision of new homes across the Borough is part of this aim.

7. Consultation

- 7.1 As part of the planning application the application was formally publicised by a site notice and consultation letters to neighbouring properties. No public comments were received.

8. Publicity Considerations

- 8.1 Although the redevelopment of this building will be a relatively small capital project there has been strong public interest in plans for its future. A press release was written when the tenants vacated and archaeological works commenced which resulted in an article in the Colchester Gazette. Further opportunities will be taken all the way through the redevelopment process to engage with the public, local historical groups and ward councillors. Regular updates will be placed on the Council’s Regeneration Instagram Account.

9. Financial implications

- 9.1 The budget for the project was previously approved by the RIF Committee. A detailed cost plan for the construction works has been produced by a cost consultant which shows that the works can be undertaken within budget, however these costs will only be confirmed once the tenders are returned. These details can be found within the confidential appraisal.
- 9.2 It is proposed that the capital receipt from the sale of the completed building will be reinvested in new homes for the Borough to be delivered through the wholly owned Housing Company

10. Equality, Diversity and Human Rights implications

- 10.1 Please see EQIA report here - <http://www.colchester.gov.uk/article/12743/Commercial-Services>

11. Health and Safety Implications

- 11.1 To assist Colchester Borough Council with health and safety matters the Purcell Architects have been appointed as the Principle Designer (formerly CDM). Their duties include to co-ordinate health and safety aspects of design work, co-operate with others involved with the project, and prepare/update the health and safety file.

12. Risk Management Implications

- 12.1 The risk register for the project can be found below.

Risk Register

Risk description	Impact and / or Consequences	Risk Mitigation / Controls
Tender returns are above budget.	Redevelopment scheme could become unviable. May need to sell building.	Have an up to date cost plan. Undertake a value engineering exercise to remove items so tender comes in on budget.
Flats do not sell.	Return on investment would be delayed.	Received marketing advice early and have a number of options to sell, e.g. to individuals or to the investor market.
Costs increase during works due to structural issues etc	Would need additional funds to complete works - may no longer make a profit	Structural surveys and enabling works have provided a very good understanding of the building. Most of the building is to be supported by new structural elements which have been costed. In addition the cost plan provides a 5% contingency,

28 June 2017

Report of	Assistant Chief Executive	Author	Fiona Duhamel ☎ 282976 Steve Heath ☎ 282389
Title	Revolving Investment Fund – Financial Update		
Wards affected	All		

This report concerns a review of the financial position on the RIF.

1. Decisions Required

- 1.1. To note the latest financial position for the Revolving Investment Fund (RIF).

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. 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 October 2016. 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.

	2016/17	2017/18	2018/19	2019/20	Ongoing
	£'000	£'000	£'000	£'000	£'000
Forecast	(205)	(329)	(754)	(954)	(1,004)

Expenditure forecast

- 4.2. The financial update that was reported to this Committee in November 2015 proposed a total allocation of £16.8m to RIF schemes, to be 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 £26.1m as at the end of March 2017. This is detailed in **Appendix B** alongside expenditure forecasts to 2019/20. These forecasts show a projected overspend of £170k against the Creative Business Centre. It is proposed that this is met by allocating resources from the 'Town Centre' budget.

4.3. **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.** Work is ongoing to review costs associated with the project in advance of a planning application later in the summer. Disposal of the first enabling site to an extra care provider will be presented to Cabinet in June.
- **Northern Gateway South.** The Turnstone full application is now expected to come to committee in Summer 2017 due to further studies being required as part of the application process.
- **Surface Water Flooding - Distillery Lane/Haven Road.** Anglian Water (AW) have fitted a valve in the quay in an effort to prevent tidal water from the river flooding Haven Road. CBC has undertaken dredging at a cost of £4,125 and has agreed to contribute to a feasibility study at £5,000. Depending on the results on the feasibility study CBC has approx. £73,000 of s.106 funding for a capital scheme. AW currently working on the feasibility study. CBC continue to monitor a project to be delivered by others.
- **Creative Business Centre.** Project complete, final accounts to be agreed by September 2017. Expenditure against this project is higher than the current budget due to the poor condition of the building structure, and the overspend will be sought from elsewhere in the RIF budget.

4.4. The following table provides a summary of the RIF account, which is detailed in the confidential **Appendix C**. The October report to the Committee showed a shortfall of funding against the RIF that reduced to £81k as at the end of 2020/21. The latest forecast of expenditure, capital receipts and revenue contributions shows a deficit of £2.8m in 2020/21, which will fall to a small surplus of £11k by the end of 2021/22. This may give rise to a short-term borrowing requirement in the intervening period.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Shortfall / (Surplus) B/Fwd	(2,726)	2,110	5,660	18,621	8,527	2,758
Total Schemes	6,967	8,102	16,873	1,632	0	0
Total Funding	(2,131)	(4,552)	(3,911)	(11,726)	(5,769)	(2,769)
Shortfall / (Surplus) C/Fwd	2,110	5,660	18,621	8,527	2,758	(11)

4.5. The reason for the movement in the forecast position is largely due to the addition of the current projected expenditure and income for the Northern Gateway Sports Hub, which includes a short term borrowing requirement. It also reflects reductions in the anticipated capital receipts for a Severalls site, and changes in the expected timing of capital receipts. The position is mitigated by the assumption that the annual contribution of £250k from the New Homes Bonus will continue. However, these contributions are dependent on the level of New Homes Bonus in later years, and budget decisions on how this will be used.

4.6. It should be noted that in addition to the potential short-term borrowing impact referred to above, the addition of any significant new schemes is also likely to give rise to a new long-term borrowing requirement. This will be considered as part of any future business cases so that the overall revenue impact and risks can be considered by a future meeting of Cabinet.

- 4.7. 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.
- 4.8. Future monitoring reports will review progress against funding targets, level of spending, changes to existing allocations and income projections.

Summary

- 4.9. As set out in this report 2016/17 spend totalled £7m, which includes areas brought forward from later years. Whilst progress continues to be made to capital receipts, the timing of these means that there is an expected short term borrowing exposure.
- 4.10. The RIF provides a framework to manage funding gaps, however, it is still necessary to ensure that future capital receipt projections are monitored and remain realistic and achievable. Furthermore, the current RIF position shows that funding for any new projects or commercial opportunities is limited. Consideration will therefore be given to future longer term borrowing to support the RIF as part of the wider capital programme and budget proposals.

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.

RIF – Capital Programme 2016/17

Service / Scheme	Total Programme £'000	Accrued spend 16/17 £'000	Forecast				(Surplus) / Shortfall £'000	RAG Status Q4
			2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000		
REVOLVING INVESTMENT FUND								
Northern Gateway North	365.2	178.6	365.2	0.0	0.0	0.0	0.0	G
CNGN - Mile End Cricket	200.0	0.0	0.0	200.0	0.0	0.0	0.0	G
CNGN - Sports Hub	17,078.0	0.0	0.0	3,559.0	11,887.0	1,632.0	0.0	A
Northern Gateway South	472.1	81.0	97.1	375.0	0.0	0.0	0.0	A
Town Centre	6,464.6	1,306.9	1,433.6	240.0	4,791.0	0.0	0.0	G
Creative Business Centre	1,286.5	1,456.0	1,456.1	0.0	0.0	0.0	169.6	A
Jacks - St Nicholas St	1,015.6	46.3	100.0	915.6	0.0	0.0	0.0	G
Sheepen Road	3,491.8	2,100.9	3,291.8	200.0	0.0	0.0	0.0	G
District Heating Project North	77.0	68.8	77.0	0.0	0.0	0.0	0.0	G
East Colchester Enabling Fund	271.0	0.0	36.0	235.0	0.0	0.0	0.0	G
Breakers Park	69.0	0.0	19.0	50.0	0.0	0.0	0.0	G
Surface Water Flooding - Distillery Lane/Haven Road	73.4	0.0	6.0	67.4	0.0	0.0	0.0	A
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	0.0	G
Moler Works Site	40.7	0.0	0.0	40.7	0.0	0.0	0.0	G
CMP Phase 3 - PV Systems	95.4	0.0	0.0	95.4	0.0	0.0	0.0	G
Business Broadband	390.7	370.1	390.7	0.0	0.0	0.0	0.0	G
Land Acquisition	1,703.4	1,358.1	1,358.1	150.0	195.3	0.0	0.0	G
TOTAL - RIF	33,099.2	6,966.7	8,635.4	6,128.1	16,873.3	1,632.0	169.6	

