

Revolving Investment Fund Committee Meeting

**Council Chamber, Town Hall, High Street,
Colchester, CO1 1PJ**

Wednesday, 29 March 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, 29 March 2017 at 18:00

Member:

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

Chairman
Deputy Chairman

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 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.

2 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.

3 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.

4 **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.

5 **Minutes**

To confirm as a correct record the minutes of the meeting held on 18 October 2016

18-10-16 minutes

9 - 12

6 **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.

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|---|---|---------|
| 7 | Disposal of the Severalls Mixed Uses Site
See report by the Head of Commercial Services | 13 - 16 |
| 8 | Colchester Northern Gateway (North) Sport and Recreation Development - Professional Fees Approval
See report by the Strategic Director - Commercial and Place | 17 - 20 |
| 9 | 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)

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| 10 | Minutes - Part B
To approve the not for publication extract from the minutes of the meeting on 18 October 2016 |
| 11 | Disposal of the Severalls Mixed Uses Site - Part B
See report by the Head of Commercial Services |
| 12 | Colchester Northern Gateway (North) Sport and Recreation Development - Professional Fees Approval - Part B
See Appendix A to the Strategic Director's report |

**REVOLVING
INVESTMENT FUND
COMMITTEE**

18 October 2016

Present:- Councillors Feltham, Smith,

Substitutes: Councillor Lilley for Councillor T. Young

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

49. Election of Chairman for the meeting

RESOLVED that Councillor Smith be elected as Chairman for this meeting.

50. Minutes

RESOLVED that the minutes of the meeting held on 10 August 2016 be confirmed as a correct record.

51. Revolving Investment Fund – Update

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

Steve Heath, Finance Manager, attended and presented the report to the Committee. The position on the revenue and forecast expenditure for the Revolving Investment Fund (RIF) were highlighted. Whilst the detailed summary of the RIF was set out in the not for publication Appendix C, in broad terms the latest forecast of expenditure, capital receipts and revenue contributions showed a deficit of £3.6m in 2018/19, which was a considerable increase compared to the position reported to the Committee in March 2016. This would fall to a more manageable shortfall of £81k by the end of 2020/21. This may give rise to a short term borrowing requirement in the intervening period, which could be met by internal borrowing.

The Committee noted the latest position and thanked officers. The financial position of the RIF reflected the enterprising approach of the administration and the scale of its ambition for the next 3-4 years.

RESOLVED that the latest financial position for 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 sets 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.

52. The Redevelopment of 5-6 St Nicholas Street (Jacks)

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

Howard Davies, Regeneration Project Manager, presented the report to the Committee.

In respect of the options set out at paragraph 5.1 of the Assistant Chief Executive's report, it was the view of the Committee that a more flexible approach should be taken. It was too early to take a conclusive view of the approach that should be taken to the long term future of the development. It would be more sensible to take such a decision at a later stage taking into account the market conditions at the time and the impact of other developments in the area, such as the Curzon cinema and Primark. It was also suggested that it would be sensible to consult the Trading Board on the long term approach.

Officers highlighted that if the approach was to sell some or all of the units then it was important to get these on the market at an early stage. The Committee stressed that it would rely on officer's advice on the most appropriate time to take a decision on the long term future and anticipated it would be taken no later than twelve months after development commenced.

RESOLVED that:-

- (a) The progress to date on the project to redevelop 5-6 St Nicholas Street (Jacks) be noted.
- (b) The additional scheme cost of £126,600 which has resulted from further detailed design work for the planning application be agreed.
- (c) Further consideration to be given to the options set out at paragraph 5.1 of the report, or a combination of these options, for the long term future of the asset once development was complete, with a decision to be taken no later than twelve months after development commences.

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. This proposal delivers on a number of these objectives by, restoring a historic building in a key part of the town centre to deliver economic growth, creating new town centre living opportunities and providing a return through a robust investment case.

At the February 2016 meeting of the RIF, funding was approved for the redevelopment of Jacks and it was agreed that the delivery mechanism for the residential units would be subject to a further report to the RIF. The report sets out the recommended delivery mechanism.

ALTERNATIVE OPTIONS

Funding for the redevelopment of 5-6 St Nicholas Street was approved by the RIF on 1 February 2016, and the Assistant Chief Executive's report outlines a number of ways for the delivery of the residential units to be managed. The only alternative option to redevelopment is to leave the building in its existing state with the current temporary tenant on the ground floor and vacant space on the upper floors. Given the age and general condition of the building it is not recommended that this option is pursued as costs of maintenance and repair will increase. Structural surveys of the building undertaken as part of the project has resulted in temporary props being required to ensure the stability of the building, therefore if the building is not redeveloped there will be an immediate need to provide a permanent solution to the existing structural deficiencies.

The building could be sold in the open market. It is unlikely that a private developer would carry out works to the existing building, as proposed by the Council. It is more likely the developer would request that the building be demolished and a completely new development take place. This would result in the loss of this popular building in Colchester. The building is not listed and protection would be unlikely.

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.

53. Minutes

RESOLVED that the not for publication extract from the minutes of the meeting held on 10 August 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.

54. Revolving Investment Fund – Financial Update

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.

55. The Redevelopment of 5-6 St Nicholas Street (Jacks)

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)).

29 March 2017

Report of	Head of Commercial Services	Elizabeth Flood
	Assistant Chief Executive	01206 507552
Title	Disposal of the Severalls Mixed Use Site	
Wards affected	Mile End	

This report provides a recommendation that the Severalls Mixed Use Site is disposed of for a mixed use retail and residential development.

1. Decisions Required

- 1.1. To agree to the disposal of the Severalls Mixed Use Site.
- 1.2. To note the proposal to dispose of the site for the development for a mixed use retail and residential development as detailed in the confidential report.
- 1.3. To note 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.
- 1.4. To delegate the negotiation of the Head of Terms and conclusion of legal documents to the Statagic Director of Commercial and Place.

2. Reasons for Decisions

- 2.1 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.

3. Alternative Options

- 3.1 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.

4. Supporting Information

- 4.1 The Severalls Mixed Use Site is a site of approximately 0.7 hectares located on Whitmore Drive at the entrance to the Kingswood Heath development site (former Severalls Hospital). The site is currently owned by the developers of Kingswood Heath but is due to be transferred to the Council in Mid 2018 as part of a Section 106 agreement.
- 4.2 The Section 106 agreement does not stipulate that the Council should develop the land for a particular use, however the Severalls Hospital Masterplan does allocate the land for mixed uses including commercial, retail and community uses. The strategic location of the land at the entrance to the new community and opposite the primary school and proposed community centre make it ideal for neighbourhood retail units.
- 4.3 There is a covenant associated with the land which states that:
Following transfer of the Mixed Use Site to the Borough Council to ensure that any residential development on the Mixed Use Site facilitates the provision and delivery of housing for people within the Borough of Colchester whose housing needs are not met by the open market.
- 4.4 The site was marketed in the Estate Gazette for one week in February, with offers via informal tenders requested. This marketing resulted in 9 offers from 8 separate parties. All the offers were made on the basis of commercial development of the site, while some of the offers also included residential development as part of a mixed use scheme. Details of all the offers can be found in the Appendix to report on Part B of the Agenda..

5.0 The Proposal

- 5.1 The development proposal is for a retail scheme including a neighbourhood size convenience store and three smaller retail units plus flats above. This scheme will provide a small neighbourhood centre for the adjacent residential development plus some additional residential properties. This proposal is subject to planning permission and any scheme will need to ensure the protection of the TPO tree on the edge of the site.

6. Strategic Plan References

- 6.1 The recommended development will “Promote Colchester to attract further inward investment and additional businesses, providing greater and more diverse employment” by providing a new small scale neighbourhood centre. The developer has suggested the scheme will provide approximately 24 FTE jobs.
- 6.2 The development will also “Enhance the diverse retail and leisure mix”. By providing four new retail units in an area which lacks convenience retail facilities. The three smaller shops are likely to be of interest to independent traders.

7. Consultation

- 7.1 No public consultation has been undertaken. Any development on the site will be subject to gaining planning consent which will include a period of public consultation. Following a decision on the future of the site, it is intended to provide an update to Myland Community Council.

8. Publicity Considerations

- 8.1 This is a small element of a much wider redevelopment site and will mainly effect the new residents of Kingswood Heath. As such it is not proposed to formally publicise the development. However once a development has been agreed it is likely that the housing companies selling new homes at Kingswood Health will provide details to prospective home owners, as neighbourhood shops will be a positive feature of the overall development.

9. Financial implications

- 9.1 The financial implications and case for investment are addressed in detail in the Part B report.


10 Equality, Diversity and Human Rights, Community Safety and Health and Safety implications

- 10.1 Please see EQIA report here - <http://www.colchester.gov.uk/article/12743/Commercial-Services> or by the following the parthway www.colchester.gov.uk / Your Council / How the Council Works / Equality and Diversity / Equality Impact Assessments / Commercial Services.

11. Risk Management Implications

- 11.1 A risk register has been prepared for the scheme. The key identified risks are reported in the Part B report

29th March 2017

Report of	Strategic Director of Commercial and Place	Author	Fiona Duhamel  282976 Lois Bowser 282573
Title	Colchester Northern Gateway (North) Sports and Recreation Development - Professional Fees Approval		
Wards affected	Mile End, Rural North, Highwoods		

This purpose of this report is to seek approval for the appointment of the professional consultancy team and associated expenditure in respect of the Gateway Sports project.

1. Decisions Required

1. To agree to the use of the Scape Consultancy Framework agreement 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.
2. To note the fee estimate provided by Gleeds for them to carry out the functions in recommendation 1 above and as detailed in the confidential Appendix A to this report.
3. To delegate authority to the Strategic Director of Commercial and Place to agree the final fees quoted by Gleeds once the detailed feasibility and cost assessments are concluded
4. 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 the spring.

2. Reasons for Decisions

- 2.1 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.
- 2.2 To ensure that RIF members are 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.

- 2.3 To ensure that Members are aware of the progress to bring about the development of a key and viable sports and recreation project within the Northern Gateway leisure destination.

3. Alternative Options

- 3.1 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.
- 3.2 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.
- 3.3 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.

4. Supporting Background Information

- 4.1 Members of the RIF Committee first considered an outline Business Case for the sports and leisure scheme at their meeting on 11th November 2015 and requested that more detailed work on the full business case should be brought back to Members. In March and November 2016 the Cabinet considered further reports on the business case, overall funding package and options for operating arrangements. Members approved the project for funding purposes acknowledging that further work was required on the leisure operator, and this has subsequently become the topic of further research across the Council's leisure services.
- 4.2 Members will recall that the site is on the northern side of the A12 and that the business case encompasses redevelopment of part of the current Rugby Club site for residential and related uses to fund in large part new and improved club pitches, pavilion, cycle and other sports and recreation facilities and sports hall. The proposals follow from the Borough's Sports facilities and playing pitch strategies and the Vision for the Northern Gateway as a leisure destination.
- 4.3 Critical to the funding package is the timing of the implementation of the sports scheme, particularly the establishment of the grass sports pitches that enables the relocation of the sports users and redevelopment of the sites they use. In order to hasten this process and to retain key members of the external project team, it was decided to work with an established Framework Agreement of consultants, supported also by Sport England, who are able to provide the range of skills and project co-ordination necessary to help maintain the pace of delivery.

5. Proposals: the Scape Framework Agreement and Summary Project update

- 5.1 The Scape Group originated from a partnership between East Midlands local authorities keen to bring economy and efficiency to the procurement and delivery of new build and refurbishment projects and is now constituted as a company. Scape created the Built

Environment Consultancy Services (BECS) framework to offer a comprehensive suite of design and construction consultancy services. Through an OJEU compliant process, the BECS framework has been awarded solely to Perfect Circle, a joint venture formed by Pick Everard, Gleeds and AECOM, supported by an extensive local supply chain.

5.2 Benefits of using Scape include:

- Immediate access to framework partners which avoids time and cost of a tender process.
- Single provider frameworks maximise the collective buying power by avoiding 'diluting' the estimated framework value between several partners.
- All costs on a framework project are subject to market testing, either through the procurement of the framework itself (core costs) or at the point of delivery through an agreed supply chain.
- core services are provided such as Project Management, Architectural Design, Structural and Civil Engineering, Mechanical and Electrical Engineering, Building Surveying, Health and Safety

5.2 The Council signed an Access Agreement to confirm our agreement to the terms of the framework and to seek a quote for our specific requirements, enabling the project team to be assembled, subject to approval of this decision. Each of the consultant specialists have provided a fee quotation based on the estimated work involved for the Environmental Impact Assessment, planning application documentation, procurement assistance, and revisions to the design and cost review. Feasibility work has commenced on establishing environmental details that will affect basic cost parameters but in order to progress the full planning application for submission in June/July the quotation needs to be agreed. The fees are in line with the overall fee level approved as part of the business model in the Cabinet report but Members should be aware that if the capital costs of the scheme were to increase as a result of survey information on ground conditions, archaeology, design amendments etc then fees *may* increase accordingly; it is therefore requested that delegated authority be given to the Strategic Director to approve such an increase in order that the pace of the project can be maintained whilst retaining cost control. The fee estimate is set out in the confidential Appendix A.

6. Strategic Plan References

6.1 As previously reported the scheme meets several strategic objectives around regenerating land and buildings, promoting the area as a sports destination and promoting healthy activity. The proposal contributes to the Council's aim to "become commercially focused and even more business-like in order to be free of government grant." It addresses the Council's Strategic Plan in a number of ways including:

Vibrant: Develop a strong sense of community across the Borough by enabling people and groups to take more ownership and responsibility for their quality of life; create the right environment for people to develop and flourish in all aspects of life both business and pleasure.

Prosperous: Promote Colchester to attract further inward investment and additional businesses, providing greater and more diverse employment and tourism opportunities.

Thriving: Cultivate Colchester's green spaces and opportunities for health wellbeing and the enjoyment of all.

Welcoming: Improves sustainability, cleanliness and health of the place by supporting events that promote fun and wellbeing; Make Colchester confident about its own abilities, to compete with the best of the towns in the region to generate a sense of pride.

7. Consultation

- 7.1 Stakeholders are involved in on-going engagement through the Steering group, cyclists sub-group, disability organisations sub-group, regular meetings with Sport England and the sports governing bodies, attendance at 6 weekly meetings with Myland Community Council, and communication with residents affected by the sports development.
- 7.2 It is intended that the planning application proposals will be subject to a pre-submission consultation later this year.

8. Publicity Considerations

- 8.1 There is regular publicity on the Northern Gateway scheme as a whole and a Communications Plan to ensure press releases at key points in the project. The branding study once completed and agreed will inform the Communications Plan and develop its own strategy.

9. Financial implications

- 9.1 Confidential Appendix A sets out the financial details of the proposed Gleeds contract.

10. Equality, Diversity and Human Rights, Community, Health and Safety Implications

- 10.1 The project remains committed to ensuring equal access to the leisure facilities, encouraging inclusion for all potential users, healthy activity and addressing community safety issues. A full Equalities Impact Assessment was presented with the Cabinet report in November 2016.

11. Risk Management Implications

- 11.1 The Council regularly reviews a risk register for this project

Appendix A:

Outline of the Gleeds fee estimate (in Part B of the Agenda)

Background Papers

Cabinet report 30th November 2016