

28 June 2017

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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.