

Revolving Investment Fund Committee Meeting

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

Tuesday, 18 October 2016 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, which is usually published 5 working days before the meeting, and minutes once they are published. Dates of the meetings are available at www.colchester.gov.uk or from Democratic Services. Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does 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
Tuesday, 18 October 2016 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 10 August 2016.

10-08-16 minutes

9 - 14

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.

7 **Revolving Investment Fund - Financial Updae** 15 - 18

See report by the Assistant Chief Executive

8 **Redevelopment of 5-6 St Nicholas Street (Jacks)** 19 - 22

See report by the Assistant Chief Executive

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)

10 **Minutes - Part B**

The following minute contains exempt information (financial/business affairs of a particular person, including the authority holding the information) as defined in paragraph 3 of part 1 of Schedule 12A to the Local Government Act 1972.

To approve the not for publication extract from the minutes of the meeting held on 10 August 2016

10-08-16 not for publication extract

- This report is 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).

11 **Revolving Investment Fund - Financial Update - Part B**

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

12 **Redevelopment of 5-6 St Nicholas Street (Jacks) - Part B**

The following report contains exempt information (financial/business affairs of a particular person, including the authority holding the information) as defined in paragraph 3 of part 1 of Schedule 12A to the Local Government Act 1972.

See report by the Assistant Chief Executive

**REVOLVING
INVESTMENT FUND
COMMITTEE**

10 August 2016

Present:- Councillors Smith, T. Young

Substitutes:- Councillor Graham for Councillor Cory
Councillor Scott attended as an observer in her capacity as Chairman of the Trading Board

Also in attendance: - Councillors Barlow, Davies and D. Ellis

38. Election of Chairman

RESOLVED that Councillor Cory be elected as Chairman for the 2016-17 municipal year.

39. Election of Deputy Chairman

RESOLVED that Councillor T. Young be elected as Deputy Chairman for the 2016-17 municipal year.

40. Election of Chairman for the meeting

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

41. Minutes

RESOLVED that the minutes of the meeting held on 8 March 2016 be confirmed as a correct record.

42. Urgent item//Purchase of Properties at Osborne Street, Vineyard Street and Arthur Street

The Committee considered a report from the Head of Commercial Services about strategic land purchase of properties at Vineyard Street, Osborne Street and Arthur Street. The Leader of the Council and Chairman of Cabinet had agreed that this item should be added to the agenda as an urgent item. The opportunity to purchase these properties had arisen at short notice and the Council had had to move quickly to take advantage of the opportunity. He thanked Councillor Davies, Chairman of Scrutiny Panel, for agreeing that this item could be added to the agenda, notwithstanding that due to the need to proceed quickly the provisions of the Access to Information Regulations 2012 had not been met.

Councillor Davies, Chairman of Scrutiny Panel, attended and with the consent of the

Chairman addressed the Committee. Whilst she had given her consent for the item to be considered, this did not mean that all her concerns about the decision had been allayed, and she was disappointed that a press statement had been issued before she had the opportunity to fully consider the issues. To prevent a repetition, Councillor Davies suggested that the Chairman of the Scrutiny Panel should in future be consulted at the same time as the Chairman as Cabinet needed to take the role of Scrutiny Panel seriously and place its trust in the Chairman of the Panel. She also proposed that the Leader should meet with her to discuss how this could best be achieved.

Councillor Smith, Leader of the Council and Portfolio Holder for Strategy, thanked Councillor Davies. He expressed his regret that there had been issues with the consultation process with Councillor Davies on this occasion due to the need to move quickly and confirmed that he was happy to meet with her.

RESOLVED that:-

- (a) The confidential report on Part B of the agenda for the purchase of land and buildings at 8-13 Osborne Street, car park at Vineyard Street and 4 Arthur Street be noted.
- (b) The request in Part B of the agenda for delegated authority to the Strategic Director for Commercial and Place in consultation with the Portfolio Holder for Culture and Regeneration to conclude the purchase within a set time period as required by the vendor.

REASONS

In a report to Cabinet on 17 March 2014 Cabinet agreed to set aside funds in the RIF to acquire land required for the development of the Vineyard Gate scheme.

Whilst negotiations are still ongoing to bring forward a scheme on the land, an opportunity has arisen to purchase land belonging to Caddick Developments as they now wish to dispose of their ownerships in Colchester. The ability to secure a greater land holding in this area provides the Council with a stronger negotiating position in any future discussions but also gives it the ability to accelerate the process of delivery.

The vendor has indicated that they wish to complete any sale within 4 weeks of issue of legal document.

ALTERNATIVE OPTIONS

The Council could have decided not to purchase these sites, however, if they were purchased by a third party, who improved them, then this could result in a higher compulsory purchase price for the Council when redevelopment and full site assembly is required.

43. Purchase of Properties at Osborne Street, Colchester

The Committee considered a report about a strategic land purchase of properties at Osbourne Street. Howard Davies, Regeneration Project Manager, presented the report to the Committee and explained that the properties that were the subject of this report were in addition to the properties identified in the previous item. The properties had come up for

auction in late July and therefore the Council had had to move quickly to purchase them. They had been purchased at below the guide price and would add to the Council's property holdings in the area.

Councillor Smith, Leader of the Council and Portfolio Holder for Strategy, thanked officers for identifying the opportunity and moving quickly to secure the purchase of the properties.

RESOLVED

(a) The purchase of the two identified properties in Osborne Street which were purchased at auction on 27th July 2016, pursuant to the provisions of Cabinet Procedure Rule 22. (Matters of Urgency), be noted.

(b) Authority be delegated to the Strategic Director for Commercial and Place in consultation with the Portfolio Holder for Regeneration to conclude the purchase within a set time period as required by the auction process.

REASONS

In a report to Cabinet on 17 March 2014 Cabinet agreed to set aside in the RIF up to £6million to acquire land required for the development of the Vineyard Gate scheme.

Whilst negotiations with the developer have still to be concluded, there was an immediate opportunity to acquire two key properties which are within the original land acquisition boundary. The ability to secure a greater land holding in this area provides the Council with a stronger negotiating position in any future discussions.

The auction process provided the Council with the opportunity to acquire the properties at a price which is less than Compulsory Purchase Order values.

ALTERNATIVE OPTIONS

The Council could have decided not to bid for these sites, however, if they were purchased by a third party, who improved them, then this could result in a higher purchase price for the Council when redevelopment and site assembly comes forward.

44. Appointment of an Operator for the Colchester Borough Council Town Centre Fibre Network

The Committee considered a report concerning the appointment of a network operator for the town centre fibre network. Nigel Myers, Economic Development Manager, presented the report. This would provide ultra-fast broadband in the town centre, which was a considerable improvement on superfast broadband. It would put Colchester in the top 5 places in the country for connectivity.

RESOLVED that authority be delegated to the Strategic Director for Commercial and Place, in consultation with the Portfolio Holder for Resources, to select the most suitable and commercially viable bid from among companies responding to the tender for a fibre network operator, and to conclude the appointment of the successful bidder.

REASONS FOR DECISIONS

To ensure that a network operator is appointed to run the Council's newly completed fibre network in the Town Centre which provides the best possible commercial return on the asset and provides the opportunity for all town centre businesses to connect to ultrafast broadband.

To meet a proposed start date of 1st September 2016 for provision of the service.

ALTERNATIVE OPTIONS

The alternative would be to rely on other infrastructure providers to bring forward this exciting opportunity, which would be likely to take considerable time and would not necessarily offer the upload and download speeds possible through this project.

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 items 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.

45. Minutes

RESOLVED that the not for publication extract from the minutes of the meeting held on 8 March 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 items 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.

46. Purchase of Properties at Osborne Street, Colchester

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 items 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.

47. Appointment of an Operator for the Colchester Borough Council Town Centre Fibre Network

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 items 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.

48. Urgent item//Purchase of Properties at Osborne Street, Vineyard Street and Arthur Street

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)).

18 October 2016

| | | | |
|----------------|---------------------------|--------|--|
| Report of | Assistant Chief Executive | Author | Fiona Duhamel ☎ 282976 Steve Heath ☎ 282389 |
| Title | RIF – 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 March 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) | (359) | (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 expenditure totalling £1.9m and additional funding, the programme now stands at £15.9m. Expenditure to September 2016 against RIF schemes totals £3.3m. This is detailed in **Appendix B** alongside forecasts to 2018/19.

4.3. The forecasts in Appendix B take into account a projected overspend of up to £200k against the Creative Business Hub. This has been funded from resources that had been allocated for land acquisitions. The paper on the redevelopment of 5-6 St Nicholas Street (Jacks) that is being reported elsewhere on this agenda proposes that an additional £126.6k is agreed to meet cost increases. This is not reflected in the forecasts, but it is proposed that £30k of this amount should be funded from Town Centre enabling monies, with the remainder being funded from resources allocated for land acquisitions. These transfers from the land acquisitions budget will still leave sufficient resources to complete the purchase of Seven Saints Farm.

4.4. The following table provides a summary of the RIF account, which is detailed in the confidential **Appendix C**. The March report to the Committee showed a shortfall of £135k as at the end of 2018/19. The latest forecast of expenditure, capital receipts and revenue contributions shows a deficit of £3.6m in 2018/19, which will fall to a manageable shortfall of £81k by the end of 2020/21. This may give rise to a short-term borrowing requirement in the intervening period.

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|------------------------------------|--------------|--------------|--------------|------------|-----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Shortfall / (Surplus) B/Fwd | (2,401) | 2,336 | 1,742 | 3,618 | 350 |
| Total Schemes | 8,523 | 2,424 | 5,145 | 0 | 0 |
| Total Funding | (3,786) | (3,018) | (3,268) | (3,269) | (269) |
| Shortfall / (Surplus) C/Fwd | 2,336 | 1,742 | 3,618 | 350 | 81 |

- 4.5. The reason for the movement in the forecast position is largely due to a combination of expenditure being brought forward in relation to the purchase of land and property, and delays in the expected timing of capital receipts. These are mitigated by the extension of the annual contribution of £250k from the New Homes Bonus from 2017/18. 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 was reported to the RIF Committee on 10 August 2016 that the purchase of the properties in the Vineyard Street area would create a short-term funding shortfall within the RIF medium-term forecast and that this could be mitigated by 'internally borrowing' funds from the Council's Capital Expenditure Reserve that have been committed to other Capital Schemes, but are unlikely to be utilised this financial year.
- 4.7. It should be noted that the above forecast currently excludes expenditure and income relating to the business case for the Sports facility proposed for Northern Gateway which will be reported to Cabinet later this year and will then be reported within the RIF.
- 4.8. 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.

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

Summary

- 4.10. As set out in this report there is forecast spend this year of £10m, 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.
- 4.11. 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

| | | | | Forecast | | | | |
|---------------------------|---|--------------------|------------------------|----------|---------|---------|--------------------------|---------------|
| | | Total Programme | Accrued spend to Q2 | 2016/17 | 2017/18 | 2018/19 | (Surplus) / Shortfall | RAG Status |
| Service / Scheme | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | Q2 |
| REVOLVING INVESTMENT FUND | | | | | | | | |
| | Northern Gateway North | 445.2 | 113.6 | 445.2 | 0.0 | 0.0 | 0.0 | G |
| | Northern Gateway South | 493.2 | 76.1 | 118.2 | 375.0 | 0.0 | 0.0 | G |
| | Town Centre | 6,551.6 | 1,324.4 | 1,466.6 | 240.0 | 4,845.0 | 0.0 | G |
| | Creative Business Hub | 1,286.5 | 1,070.9 | 1,286.5 | 0.0 | 0.0 | 0.0 | A |
| | Jacks - St Nicholas St | 915.0 | 14.9 | 100.0 | 815.0 | 0.0 | 0.0 | G |
| | Sheepen Road | 3,492.3 | 686.9 | 3,292.3 | 200.0 | 0.0 | 0.0 | G |
| | District Heating Project North | 26.8 | 0.0 | 26.8 | 0.0 | 0.0 | 0.0 | G |
| | District Heating Project East | 10.0 | 0.0 | 10.0 | 0.0 | 0.0 | 0.0 | G |
| | East Colchester Enabling Fund | 285.0 | 0.0 | 50.0 | 235.0 | 0.0 | 0.0 | G |
| | Breakers Park | 75.0 | 1.7 | 25.0 | 50.0 | 0.0 | 0.0 | G |
| | Surface Water Flooding - Distillery Lane/Haven Road | 77.4 | 0.0 | 10.0 | 67.4 | 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 | 0.0 | 0.0 | 40.7 | 0.0 | 0.0 | G |
| | CMP Phase 3 - PV Systems | 95.4 | 0.0 | 0.0 | 95.4 | 0.0 | 0.0 | G |
| | Business Broadband | 337.8 | 103.5 | 337.8 | 0.0 | 0.0 | 0.0 | G |
| | Land Acquisition | 1,800.0 | 1.7 | 1,350.0 | 150.0 | 300.0 | 0.0 | G |
| TOTAL - RIF | | 15,936.7 | 3,393.7 | 8,523.2 | 2,268.5 | 5,145.0 | 0.0 | |

Revolving Investment Fund Committee

Item
8

18 October 2016

| | | |
|-----------------------|--|--------------------------------------|
| Report of | Assistant Chief Executive | Howard Davies 01206 507885 |
| Title | The redevelopment of 5-6 St Nicholas Street (Jacks) | |
| Wards affected | Castle | |

This report provides an update on the RIF (Revolving Investment Fund) supported project to redevelop 5-6 St Nicholas Street (Jacks) and to recommend the delivery mechanism for the residential units

1. Decisions Required

- 1.1. To note the progress to date on the project to redevelop 5-6 St Nicholas Street (Jacks).
- 1.2. To agree to the additional scheme cost of £126,600 which has resulted from further detailed design work for the planning application.
- 1.3. To approve the recommendation that Option 3 in the proposals section below: to rent the residential and commercial units for five years and then sell the whole building, is taken as the approach to the long term future of the asset once development completes.

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. 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.
- 2.2 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. This reports sets out the recommended delivery mechanism.

3. Alternative Options

- 3.1 Funding for the redevelopment of 5-6 St Nicholas Street was approved by the RIF on 1 February 2016, and this 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.

- 3.2 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.

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 feasibility work was completed in February 2016 and at the February 2016 RIF meeting funding to take the project forward was agreed subject to further agreement regarding the delivery mechanism for the residential units and any changes identified as part of the additional works undertaken by Purcell as part of the planning process.
- 4.3 Following the February 2016 RIF meeting the plans for the redevelopment of Jacks were refined and structural surveys were undertaken. A heritage impact assessment and high level costings of the plans were also completed. A planning application for Change of use to 7 flats and a flexible A1/2 or A3 use, including first-floor extension, three-storey rear extension, and roof extensions has been submitted and negotiations are ongoing in order to ensure that all outstanding issues have been resolved and the application can be determined at Planning Committee.
- 4.4. The revised option which Purcell has produced provides for a 100m² commercial/retail space on the ground floor; this commercial use would be along the whole of the St Nicholas Street elevation, providing an active retail frontage. Seven residential flats would be created over the three floors, five 1 bed flats and two 2 bed flats
- 4.5 The proposal includes a three storey rear extension and alterations to existing roof height within the building. The front elevation will remain as existing.
- 5.3 Given the Town Centre location, car parking would not be provided, but a cycle storage area would be included.

5.0 The Proposal

- 5.1 A further development appraisal exercise has been undertaken to take into account the increase in the initial costings for the scheme which have increased due to the complexity of developing the site and revised values. Four options have been considered for the development appraisal work:

- 1) To sell the building with planning permission but without doing the works
- 2) To redevelop the building then sell the residential units and retain the commercial unit as a long term investment
- 3) To retain the residential and commercial units for five years and then sell the building
- 4) To retain both the residential and commercial units as a long term investment

Further details of all these options are set out in **Appendix A** of the Part B report..

- 5.2 From the development appraisal work now completed, it is recommended that Option 3 is taken forward and both the commercial and residential units are privately rented for at least five years and then sold. This proposal would provide a good level of income for five years following by a capital receipt which represents the best possible value from the development. Holding the investment for a period of years also allows the Council to benefit from any future capital and rental growth as the immediate area improves over time. This option retains flexibility in that a review could be carried out at the end of the 5 years to determine values at that time and a further decision could be taken to remain holding the investment.
- 5.3 Options 3 and 4 may necessitate the transfer of the asset into an alternative holding vehicle e.g. a wholly owned housing company. Members have already agreed in principle to the establishment of such a company subject to the sign off of a business case which will be taken back to Cabinet in November this year.

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 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.

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 project there has been strong public interest in plans for its future. A press release was written when the planning application was submitted 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.

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>

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