

# Revolving Investment Fund Committee Meeting

**G3, Rowan House, 33 Sheepen Road,  
Colchester, CO3 3WG**

**Tuesday, 08 March 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](http://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.

## **Have Your Say!**

The Council values contributions from members of the public. Under the Council's Have Your Say! policy you can ask questions or express a view to most public meetings. If you wish to speak at a meeting or wish to find out more, please refer to Attending Meetings and "Have Your Say" at [www.colchester.gov.uk](http://www.colchester.gov.uk)

## **Audio Recording, Filming, Mobile phones and other devices**

The Council audio records all its public meetings and makes the recordings available on the Council's website. Audio recording, photography and filming of meetings by members of the public is also permitted. The discreet use of phones, tablets, laptops, cameras and other such devices is permitted at all meetings of the Council, with the exception of Committee members at all meetings of the Planning Committee, Licensing Committee, Licensing Sub-Committee and Governance Committee. It is not permitted to use voice or camera flash functionality and devices must be kept on silent mode. Where permitted, Councillors' use of devices is limited to receiving messages and accessing papers and information via the internet.

## **Access**

There is wheelchair access to the Town Hall from St Runwald Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please use one of the contact details at the bottom of this page and we will try to provide a reading service, translation or other formats you may need.

## **Facilities**

Toilets with lift access, if required, are located on each floor of the Town Hall. A vending machine selling hot and cold drinks is located on the ground floor.

## **Evacuation Procedures**

Evacuate the building using the nearest available exit. Make your way to the assembly area in the car park in St Runwald Street behind the Town Hall. Do not re-enter the building until the Town Hall staff advise you that it is safe to do so.

Library and Community Hub, Colchester Central Library, 21 Trinity Square, Colchester, CO1 1JB

telephone (01206) 282222 or textphone 18001 followed by the full number you wish to call

e-mail: [democratic.services@colchester.gov.uk](mailto:democratic.services@colchester.gov.uk)

**[www.colchester.gov.uk](http://www.colchester.gov.uk)**

## **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, 08 March 2016 at 18:00**

**Member:**

Councillor Mark Cory  
Councillor Annie Feltham  
Councillor Bill Frame  
Councillor Tim Young

**Substitutes:**

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

**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 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.

## **6 Minutes**

To confirm as a correct record the minutes of the meeting held on 1 February 2016

**01-02-16 part A**

9 - 12

- 7      **Revolving Investment Fund - Financial Update**      13 - 16  
See report by the Assistant Chief Executive
- 8      **The Acquisition of Land and Buildings Known as Seven Saints Farm, Severalls**      17 - 20  
See report by the Head of Commercial Services
- 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 - 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 to the Assistant Chief Executive's report
- 12      **The Acquisition of Land and Buildings Known as Seven Saints Farm, Severalls (part B)**  
See report by the Head of Commercial Services





**REVOLVING  
INVESTMENT FUND  
COMMITTEE**

**1 February 2016**

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

*Substitutes:-* Councillor Smith for Councillor Frame

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

*Also in attendance:-* Councillor Jarvis

**28. Minutes**

*RESOLVED* that the minutes of the meeting held on 11 November 2015 be confirmed as a correct record.

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

The Head of Commercial Services submitted a report a copy of which had been circulated to each Member.

Howard Davies, Regeneration Programme Manager, presented the report to the Committee. Feasibility work on the site had been undertaken by a local architectural practice, Purcell, and they had brought forward proposals for a commercial/retail use on the ground floor and seven residential flats over all three floors. The proposed development would retain the key character of the building. Although the plans included a three storey rear extension, the front elevation would remain as existing. It would contribute to the regeneration of this part of the town centre. It would also generate an income stream for the Council and create additional residential provision in the town centre.

Members of the Committee expressed their support for the development which would be an investment in the future of the town centre and would create an income stream for the Council. The Committee expressed their disappointment at some of the press coverage of the development. In response to questions from the Committee it was explained that Purcell had been appointed through an open tender process and had been selected both on cost and quality criteria. The expenditure on the feasibility study could be broken down approximately as follows:-

- £19,000 Purcell design fees;
- £1350 Quantity Surveyor costs
- £4000 Materials Survey costs
- £2000 Structural Survey costs

The proportion of the overall project costs that would be spent on architectural fees was in line with other projects. The Committee requested that officers work with the Council Communications team to follow up the press coverage and to clarify these issues.

Members of the Committee also requested further investigative work be done on VAT issues, looking at whether if the work was done by a company wholly owned by the Council, whether it would be exempt from VAT. Members also asked if the residential units would be suitable to be classed as starter homes that could be included within the government discount scheme.

*RESOLVED* that the contents of the report be noted and the formal decisions be taken following consideration of the report in part B of the agenda.

### *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 principal 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.

Where the Council wishes to secure high levels of future income there is a need to carry out investment decisions in a more commercially focused way based on a clear business case. The Business case is attached to the report on Part B of the agenda.

### *ALTERNATIVE OPTIONS*

The business case in Part B of this agenda outlines a number of ways in which the site can be redeveloped but 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. Furthermore this area is starting to benefit from increased inward investment and if the location improves then values will rise making redevelopment an attractive option.

**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.**

**30. 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)).

**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**

**31. Colchester Northern Gateway (North) Development Proposal**



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)).



# Revolving Investment Fund Committee

8 March 2016

Item  
**7**

<b>Report of</b>	<b>Head of Commercial Services</b>	<b>Author</b>	<b>Fiona Duhamel</b>
	<b>Assistant Chief Executive</b>		 <b>282976</b>
			<b>Steve Heath</b>
			 <b>282389</b>
<b>Title</b>	<b>RIF – Financial Update</b>		
<b>Wards affected</b>	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. Given the confidentiality of certain information this is set in more detail in the confidential **Appendix A**. 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.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Ongoing £'000
Forecast	(123)	(305)	(459)	(904)	(954)

*Expenditure forecast*

- 4.2. The financial update that was reported to this Committee in November proposed a total allocation of £16.8m to RIF schemes, to be funded from existing capital schemes, capital receipts and revenue funding. The expenditure position against RIF schemes to the end of December 2015 along with forecasts to 2018/19 (as reported to the Scrutiny Panel in February) is detailed in **Appendix B**.
- 4.3. The following table provides a summary of the RIF account, which is detailed in the confidential **Appendix C**. This shows that based on the forecast expenditure, capital receipts and revenue contributions set out in the above paragraphs, the account is broadly balanced, showing a manageable shortfall of £135k as at the end of 2018/19.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Shortfall / (Surplus) B/Fwd	(168)	(1,443)	(1,084)	(2,347)
Total Schemes	4,298	6,076	1,955	5,500
Total Funding	(5,573)	(5,717)	(3,218)	(3,018)
<b>Shortfall / (Surplus) C/Fwd</b>	<b>(1,443)</b>	<b>(1,084)</b>	<b>(2,347)</b>	<b>135</b>

- 4.4. The November report showed a surplus of £780k as at the end of 2018/19. The reason for the movement in this position is due to the Committee's agreement to release £915k for the development of 5-6 St Nicholas Street and 60 Culver Street East (Jacks) in the meeting of 1 February 2016.
- 4.5. The proposals reported elsewhere on this agenda relating to Seven Saints Farm will impact on the position shown at 4.3 and in the confidential appendix in terms of the balances shown in at the of 16/17 as it is proposed to bring forward a sum allocated for 17/18. This does not impact on the overall total position.
- 4.6. 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. The Council has agreed revenue contributions towards the RIF, which have been transferred into an earmarked reserve as shown in **Appendix C**. The earmarked reserve is currently planned to increase by an annual contribution of £250k from the New Homes Bonus from

2016/17. However, further contributions are dependant on the level of New Homes Bonus in later years and budget decisions on how this will be used.

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

## **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.





8 March 2016

Report of	Head of Commercial Services	Stephen Brown 01206 508822
Title	The acquisition of land and buildings known as Seven Saints Farm, Severalls Lane, Colchester	
Wards affected	Highwoods Ward	

**This report concerns the proposal to use RIF (Revolving Investment Fund) funds for the purchase of Seven Saints Farm in order to help meet the Council's medium to long term income targets.**

## 1. Decisions Required

- I. To approve the recommended proposal to purchase the land and buildings known as Seven Saints Farm as outlined in the confidential Part B of the agenda.
- II. To approve the reallocation of capital funding identified in the confidential section of this agenda from the RIF for spend on the acquisition.
- III. To note the options, financial assumptions and associated risks as set out in the confidential business case.
- IV. To give delegated authority to the Strategic Director for Commercial and Place in consultation with the Portfolio Holder for Business and Resources to conclude the legal documents following a process of due diligence.

## 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 is a strategic land purchase which has the potential in the longer term to provide income and/or capital receipts.
- 2.2 Where the Council wishes to secure high levels of future income there is a need to carry out investment decisions in a more commercially focused way based on a clear business case. The business case is attached to the confidential report in Part B of the agenda.

## 3. Alternative Options

- 3.1 The only alternative option at this stage is not to progress with the acquisition. The business case in Part B discusses the various options for the site once acquired, but these would be the subject of separate business cases in due course.

#### **4. Supporting Information**

- 4.1 The site consists of c. 33 acres of land, largely used for paddocks. Also on the site is a large 5 bed detached house built in the 1980's, 23 livery stables and an open barn. The entrance to the land is adjacent to the travellers site on Severalls Lane and runs along the length of the A12. Please see the attached plan.
- 4.2 The majority of the site is currently let out including the land and stables and parts of the house but vacant possession is being offered on completion.
- 4.3 The remaining information is contained within the confidential Part B of the agenda.

#### **5.0 The Proposal**

- 5.1 It is proposed to acquire the land and buildings for income generation purposes in the short term with the potential for additional income/capital opportunities in the longer term.
- 5.2 It is proposed that the Council would purchase the site using existing capital within the Revolving Investment Fund.

#### **6. Strategic Plan References**

- 6.1 This strategic purchase will provide the platform for future development opportunities.

#### **7. Consultation**

- 7.1 Any future plans for the site would in all likelihood require a planning application which will provide an opportunity for public consultation.

#### **8. Publicity Considerations**

- 8.1 There has already been some press interest in this site. There will be other opportunities for press releases in the longer term.

#### **9. Financial implications**

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

#### **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 The key identified risks are reported in the business case attached to the confidential Part B of the agenda.

