


**9 October 2019**

<b>Report of</b>	<b>Assistant Director Policy and Corporate</b>	<b>Author</b>	<b>Paul Cook</b>  <b>505861</b>
<b>Title</b>	<b>Revolving Investment Fund – Capital Update</b>		
<b>Wards affected</b>	All		

## **1. Executive Summary**

- 1.1. This report provides an update on Revolving Investment Fund (RIF) capital expenditure, and projected capital receipts.
- 1.2. This report sets out the next phase of work that will be undertaken to enable the development of Northern Gateway and to deliver on the aspirations set out in the masterplan of creating a sustainable gateway in to the Borough.
- 1.3. Projected annual revenue income will be reported to a future meeting. An update on the MTFF implications will be taken forward during the budget process.
- 1.4. The overall RIF capital programme currently stands at £29m. This excludes advances to CCHL. There remain a number of risks attached to the RIF capital receipts projections which require regular monitoring to ensure that the forecasts remain realistic. The report sets out the temporary and long term borrowing required to manage the cashflows within the RIF, most of which reflect progress on the Northern Gateway Sports project.
- 1.5. The programme has been reviewed including updated capital receipt projections. A number of new allocations are within this report to support new and existing programmes of work including areas to explore new income opportunities. It is proposed that these are funded from a reallocation from an uncommitted budgetary allocation.

## **2. Recommended Decision**

- 2.1 To note the latest financial position for the Revolving Investment Fund (RIF).
- 2.2 To note and agree the need for additional resourcing for the next phase of work at Northern Gateway to support the infrastructure first approach that will enable the delivery of the wider scheme and implementation of the masterplan

## **3. Reasons for Recommended Decision**

- 3.1 Cabinet agreed to create the RIF as a way to recycle capital receipts into profitable high income producing development schemes and regeneration and economic growth projects. This paper sets out the updated financial position of the RIF and proposes allocations of funding to specific projects.
- 3.2 At present there is more funding allocated to projects within the RIF portfolio than there are capital receipts coming into the RIF. In addition, there are projects that the Council

have already committed to delivering that require funding for the next phase of works in the Northern Gateway.

- 3.3 To deliver on the infrastructure first approach at CNG South in line with the current masterplan

#### 4. Alternative Options

- 4.1 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 the associated income targets. Further funding allocations are required to carry out feasibility studies if new income streams for the council are to be generated in the future.

#### 5. Supporting Information

- 5.1 The Council's budget and Medium Term Financial Forecast (MTFF) include assumptions in respect of revenue income from RIF projects. This will be updated at a future meeting.

##### *Expenditure forecast*

- 5.2 The RIF programme from 2019/20 now stands at £29m. This is detailed in the Appendix and includes expenditure forecasts to 2022/23.

##### *Funding*

- 5.3 The RIF is funded by capital receipts, revenue contributions, agreed borrowing and other specific funding contributions. Details of these receipts are set out in the Appendix A. The table below provides a summary of the funding forecasts. This includes the funding agreed for the Northern Gateway (NGW) Sports Project which is itemised separately.

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
<i>Capital Receipts</i>					
For NGW Sports Project	0	0	(6,600)	(3,200)	0
For other RIF schemes	(183)	(2,069)	(1,969)	(19)	(4,419)
<b>Total capital receipts</b>	<b>(183)</b>	<b>(2,069)</b>	<b>(8,569)</b>	<b>(3,219)</b>	<b>(4,419)</b>
<i>Other funding</i>					
For NGW Sports Project	(750)	(4,803)	(1,650)	2,000	(6,800)
For other RIF schemes	(207)	(1,301)	(1,765)	(1,915)	0
<b>Total other funding</b>	<b>(957)</b>	<b>(6,104)</b>	<b>(3,415)</b>	<b>85</b>	<b>(6,800)</b>
<i>Long term borrowing</i>					
For NGW Sports Project	0	(2,828)	0	0	0
For other RIF schemes	0	(4,843)	0	0	0
<b>Total Long term Borrowing</b>	<b>0</b>	<b>(7,671)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total RIF Funding</b>	<b>(1,140)</b>	<b>(15,844)</b>	<b>(11,984)</b>	<b>(3,134)</b>	<b>(11,219)</b>

- 5.4 The following table provides a summary of the overall RIF account, which is detailed in the confidential Appendix B. Based on the updated expenditure forecasts and capital funding projections there is a funding shortfall of £20.201m at 31.3.2020. In order to eliminate a shortfall by 2022/23 the level of long term borrowing has been increased.

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Shortfall / (Surplus) B/Fwd	4,359	10,268	20,201	14,354	11,219
Spending	7,049	23,276	8,637	0	0
Capital receipts and other funding	(1,140)	(13,344)	(14,484)	(3,134)	(11,219)
Shortfall / (Surplus) C/Fwd	10,268	20,201	14,354	11,219	0

- 5.5 An estimate of the revenue impact of temporary borrowing is shown in the following table based on prevailing PWLB borrowing rates.

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Average Shortfall each year	7,314	13,984	16,027	12,787	5,610
Interest cost	110	210	240	192	84

### Review of RIF Programme

- 5.6 A review of the overall RIF programme has been carried out. Proposals are included in a within this report for additional allocations to new and existing projects at Northern Gateway. The new budget allocations total £2.5m

### Northern Gateway

The new allocations will be utilised to deliver the first phase of infrastructure works at Northern Gateway South as well as new cycling links to the Northern Gateway Sports Park

In 2012 Cabinet endorsed the vision and recommendations arising from the master planning process completed during 2011 for land south of Axial Way and adjacent to the stadium

The main theme of the proposals was to create a new gateway to Colchester whilst creating significant jobs and contribution to the Councils sustainability agenda and in addition making a substantial contribution the councils revenue stream in the future

It was intended that the masterplan was an iterative document and it would develop in line with the Councils core strategy

The landscape for delivering CNG south has changed significantly since 2012 and the current scheme submitted for planning includes:

- 500,000 sq ft commercial space
- central boulevard and open space
- 350 homes including 30% affordable homes

- 13 acre healthcare campus including hospital, convalescence home, older persons accommodation and extra care provision
- new access roads
- 4.5 hectares village green
- energy centre
- Sustainable energy network
- Ultrafast digital network
- improved access links to the north

The funds set aside by RIF to deliver the masterplan have been utilised to progress the scheme to the submission of a hybrid planning application, detailed in some parts and outline in others, it is likely that this application will be heard at the November planning committee

In order to progress to the next phase of work at CNG South a budget is required to undertake the necessary technical studies and to deliver the infrastructure required to enable other areas of the scheme to be developed

This phase of work includes;

- technical studies
- technical scheme design
- new statutory utility provision and connections
- new cycling provision
- site enabling works
- pre development costs

5.7 It is still necessary to ensure that future capital receipt projections are monitored and remain realistic and achievable. Future monitoring reports will review progress against funding targets, level of spending, changes to existing allocations and income projections. The potential impact of a no-deal Brexit will need to be carefully monitored.

5.8 It is proposed to mitigate the borrowing costs by using existing contingency and therefore propose additional borrowing of up to £2.5m to fund the next phase of works

## **6. Strategic Plan References**

6.1. The RIF 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.

## **7. Consultation and Publicity Considerations**

7.1 No specific issues in respect of this report, however, publicity and consultation will be considered for specific projects as appropriate.

## **8. Financial implications**

8.1 The Council needs to manage and control its future capital programme and investment very carefully to ensure that it meets its fiduciary responsibilities. It will need to carefully

prioritise future capital investment to deliver optimum outcomes as resources become increasingly scarce. As any new schemes or additional contributions are required the council would be required to borrow in order to fund future capital commitments. As with any borrowing, the council would be required to provide a Minimum Revenue Provision (MRP) to ensure that debt is repaid over the life of the asset as per the Council's Treasury Management Strategy as well as fund any PWLB interest costs.

- 8.2 Prudential borrowing would be required to complete this project however It is proposed to use the remaining contingency first as to limit the costs the general fund and to the taxpayer. The amount of borrowing required to fund the project would be up to £2m at a cost of £115k a year in MRP and interest over a 50-year period. Currently no budget exists for additional MRP or interest therefore additional budget would be required as part of the Council's budget setting process.

## **9. Equality, Diversity and Human Rights, Community Safety and Health and Safety implications**

- 9.1 None identified at this stage.

## **10. Risk Management Implications**

- 10.1 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.

## Appendix A

REVOLVING INVESTMENT FUND	Total Programme	Spend Q1 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	RAG
Northern Gateway North	56	3	56	0	0	G
CNGN - Mile End Cricket	14	0	14	0	0	G
CNGN - Sports Hub	21,930	2,419	20,229	1,701	0	A
Northern Gateway South	30	33	30	0	0	G
CNGS - Detailed Planning	214	158	214	0	0	G
CNGS – Boulevard	3,250	72	500	2,750	0	G
Development Site (jnct 28)	0	0	0	0	0	G
Town Centre	2,185	102	500	1,685	0	A
Jacks - St Nicholas St	644	113	644	0	0	G
St Nicholas Square & Balcerne Gardens	26	2	26	0	0	G
Sheepen Road	0	0	0	0	0	G
Sheepen Road Phase 2	85	54	85	0	0	G
St Botolphs Public Realm	118	0	118	0	0	G
East Colchester Enabling Fund	213	0	213	0	0	G
Breakers Park	69	0	69	0	0	G
Site Disposal Costs	5	0	5	0	0	G
Moler Works Site	3	0	3	0	0	G
Digital Strategy - feasibility	160	10	160	0	0	G
Sport & Leisure Asset Review	120	0	120	0	0	G
Grow-on former Queen St Bus Depot	31	0	31	0	0	G
Broad Lane Sports Ground Wivenhoe	12	0	12	0	0	G
Pre development/feasibility funds	250	0	250	0	0	G
	<b>29,413</b>	<b>2,966</b>	<b>23,276</b>	<b>6,137</b>	<b>0</b>	

Comments on Sports Hub

Main contractor on site and work is well underway with target completion of May 2020. Work ongoing to satisfy funding conditions from sports funders and HIF.

Comments on Town Centre

The programme will be delivered but some spend in 2020/21.