

Revolving Investment Fund Committee Meeting

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

Wednesday, 27 June 2018 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 (the list of items to be discussed at a meeting), which is usually published five working days before the meeting, and minutes once they are published. Dates of the meetings are available here:

<https://colchester.cmis.uk.com/colchester/MeetingCalendar.aspx>.

Most meetings take place in public. This only changes when certain issues, for instance, commercially sensitive information or details concerning an individual are considered. At this point you will be told whether there are any issues to be discussed in private, if so, you will be asked to leave the meeting.

Have Your Say!

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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 take it to the Library and Community Hub, Colchester Central Library, using the contact details below and we will try to provide a reading service, translation or other formats you may need.

Facilities

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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, 27 June 2018 at 18:00

The Revolving Investment Fund Committee Members are:

Councillor Nick Barlow
Councillor Mark Cory
Councillor David King
Councillor Tim Young

The Revolving Investment Fund Committee Substitute Members are:

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

AGENDA
THE LIST OF ITEMS TO BE DISCUSSED AT THE MEETING
(Part A - open to the public)

Please note that Agenda items 1 to 6 are normally dealt with briefly.

1 Appointment of Chairman

To appoint a Chairman for the ensuing municipal year.

2 Appointment of Deputy Chairman

To appoint a Deputy Chairman for the ensuing municipal year.

3 Welcome and Announcements

The Chairman will welcome members of the public and Councillors and remind everyone to use microphones at all times when they are speaking. The Chairman will also explain action in the event of an emergency, mobile phones switched to silent, audio-recording of the meeting. Councillors who are members of the committee will introduce themselves.

4 Substitutions

Councillors will be asked to say if they are attending on behalf of a Committee member who is absent.

5 Urgent Items

The Chairman will announce if there is any item not on the published agenda which will be considered because it is urgent and will explain the reason for the urgency.

6 Declarations of Interest

Councillors will be asked to say if there are any items on the agenda about which they have a disclosable pecuniary interest which would prevent them from participating in any discussion of the item or participating in any vote upon the item, or any other pecuniary interest or non-pecuniary interest.

7 Have Your Say!

The Chairman will invite members of the public to indicate if they wish to speak or present a petition on any item included on the agenda or any other matter relating to the terms of reference of the meeting. Please indicate your wish to speak at this point if your name has not been noted by Council staff.

8 Minutes of Previous Meeting

The Committee will be invited to confirm that the minutes are a correct record of the meeting held on 6 December 2017.

Minutes 06 December 2017

9 - 12

9 Revolving Investment Fund (RIF) Programme Update

13 - 18

The Committee will consider a report providing a summary of progress of key Revolving Investment Fund (RIF) projects including details of spending during the last financial year.

10 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)

11 Minutes (Part B)

To approve the not for publication extract from the minutes of the meeting held on 6 December 2017.

REVOLVING INVESTMENT FUND COMMITTEE

6 December 2017

Present:- Councillors Cory (Chairman), Smith

Substitutes:- Councillor Lilley for Councillor T. Young
Councillor J. Scott-Boutell for Councillor Feltham

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

70. Minutes

RESOLVED that the minutes of the meeting held on 28 June 2017 be confirmed as a correct record.

Councillor Smith (in respect of his membership of the District Council Network) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(5).

71. Revolving Investment Fund Financial Update

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

Steve Heath, Finance Manager, introduced the report to the Committee. The report set out the latest financial position on the Revolving Investment Fund (RIF) and invited the Committee to reallocate £1.15 m of existing resources to meeting proposed detailed funding allocations. The report highlighted the projected revenue income for the RIF would be £911,000 by 2021/22. It also highlighted the expenditure forecast and the status of the performance of the projects against capital schemes. The following schemes were currently shown as amber:-

Northern Gateway – Sports Hub
Northern Gateway – South
Surface Water Flooding - Distillery Lane/Haven Road
Creative Business Centre

The Medium Term Financial Forecast for the RIF showed a deficit of £495k by the end of 2021/22, which was considered to be a manageable figure. A number of new detailed

areas of spend had been identified, totalling £1.15 million, which were listed in Appendix D. It was proposed that these be funded from existing funding allocations and underspends within the RIF.

Members of the Committee explored the reasons for the schemes currently shown as amber. It was reported that in respect of the Creative Business Centre, this was a consequence of the overspend. This would be resolved by the proposed reallocation of resources. Costs had risen for the Northern Gateway Sports Hub and in respect of Northern Gateway South, delays in the planning process meant that income would come in later than expected. The Surface Water Flooding Scheme, for which Essex County Council was the lead authority, was currently making slow progress. It was also stressed that a number of projects had come in under budget, and that overall overspends had been more than matched by underspends. It was also confirmed that the new funding allocations would be met solely by reallocations within the fund and no additional resources would be directed to the fund.

Members were pleased to note the increase in revenue income within the RIF which was timely given the pressures on the budget going forward. It was confirmed that overall the Council was achieving a healthy return on the funds in the RIF.

In respect of the Minimum Revenue Provision, it was also suggested that the Council explore whether some building assets could be classified with a 50 year life, and that the MRP should be based only on building value and not the land value, in order to minimise the impact. It was also suggested that the Council explore cheaper sources of borrowing. In response, it was explained that the MRP regulations specified a maximum of 40 years. However, revised regulations were currently out for consultation and the issue would also be raised with the Council's external auditors.

RESOLVED that:-

- (a) The latest financial position on the Revolving Investment Fund be noted.
- (b) £1.15m of existing resources be relocated to meet the proposed detailed funding allocations in Appendix D of the Assistant Chief Executive's report.

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 set 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.

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.

72 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 a particular person, including the authority holding the information).

27th June 2018

Report of	Strategic Director of Policy and Place	Author	Holly Brett
Title	Update on Revolving Investment Fund (RIF) programme		☎ 508830
Wards affected	All Wards		

1. Executive Summary

- 1.1 This report provides a summary of progress of key Revolving Investment Fund (RIF) projects including details of spending during the last financial year

2. Recommended Decision

- 2.1 To note the contents of this report including the capital spend update which has previously been reported to Scrutiny Panel.

3. Reason for Recommended Decision

- 3.1 To provide the RIF Committee with a timely update on progress of key capital projects which are managed through the RIF. A number of the larger projects have previously been reported to Cabinet due to their value and this report seeks to provide an update on these projects alongside other RIF schemes in delivery.

4. Alternative Options

- 4.1 There are no alternative options as this paper is an update for information only.

5. Background Information

- 5.1 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.
- 5.2 Since the Committee was set up there have been a number of successful schemes delivered including the Amphora Place development at Sheepen Road which saw the Council build a 3 storey office building for an established Colchester firm, Birkett Long.
- 5.3 The success of this scheme which delivered a considerable new income stream for the Council has been followed by a number of schemes which are now in progress and outlined below;

- Northern Gateway

Sports Hub

- The sports hub planning application north of the A12 has been submitted and is due to be decided at Planning Committee in early July
- Consultation with key stakeholders, sports users and potential funders is ongoing
- The tender for the first package of enabling works has been advertised and is due to be returned early July
- Works to the cricket pavilion and wicket at Mile End is now complete and signals the first step in the relocation of sports users from Mill Road

Sites south of Axial Way

- Work is underway to submit an outline planning application at the end of the year for the south side of Northern Gateway
- Following the Cabinet approval of the heads of terms work is progressing with the health care provider and key stakeholders to develop proposals further for the site off Axial Way
- Work has started on site for the borehole test required for the heat network project, however this work now forms part of Amphora Energy's remit and will be reported on through the new Colchester Amphora Energy Board in future

- Town Centre

- Sheepen Road phase 2 is well underway with completion expected in February 2019 to enable the tenant to carry out their fit out works. Tenant legal agreements have been signed for the pre let.
- Plans are progressing for the former "Jacks" building, negotiations with the tenant are ongoing and the tenders will be issued in early July with work starting on site late summer

Town Centre Projects at feasibility stage

- HAT Projects have now been appointed to carry out feasibility work on the town squares project, consultation with key stakeholders and business in the surrounding areas are in progress to inform the feasibility study
- The feasibility project for "Grow on Space" is well underway and a paper will be coming back to RIF steering group in the summer setting out potential options. This feasibility work builds upon the success of the conversion of 37 Queen St and subsequent letting to Space studios for their first venture outside of London. The 44 units were under offer before the building completed, suggesting that strong demand exists within the creative digital sector for this type of affordable but high quality workspace in the town centre
- High level concept Vineyard Gate plans have been produced and the next stage of the project is now underway with costings being carried out , market testing to be undertaken and a development appraisal to be carried out later in the Summer to enable a paper on delivery options to be submitted to Cabinet in the Autumn. Land assembly is ongoing with the acquisition of properties in the surrounding area

- East Colchester
 - Following the unsuccessful first round HIF (Housing & Infrastructure Fund) bid, work is ongoing to investigate viability of sites at the Hythe and how they might be brought forward. This work is being taken forward with Homes England as a local landowner.
 - A project to review facilities that are available to moored boats at the Hythe is underway and a proposal paper will be presented to RIF steering group
 - We continue to work with Essex County on the Haven Road flood issues
- Digital Strategy
 - Considerable work has been undertaken to review next steps in the delivery of a fully fibre digital strategy for Colchester. As part of the rollout of the Strategy, a bid will be submitted to the Department for Culture, Media and Sport (DCMS) to support the delivery and implementation of ultrafast fibre connectivity across key areas in the Borough
 - The Town Centre network has been extended in places to allow new business connections to the network and the implementation of the new government voucher scheme is a significant benefit for local businesses who wish to connect to a 1Gb service.

6. Equality, Diversity and Human Rights implications

6.1 None identified at this stage

7. Standard References

7.1 There are no particular references to the Strategic Plan; consultation or publicity considerations or financial; community safety; health and safety or risk management implications.

7. Strategic Plan References

- 7.1 Growth: Help make sure Colchester is a welcoming place for all residents and visitors
 Ensure residents benefit from Colchester's economic growth with skills, jobs and improving infrastructure
 Promote inward investment to the borough
 Work with partners to create a shared vision for a vibrant town centre
- Opportunity: Promote and enhance Colchester borough's heritage and visitor attractions to increase visitor numbers and to support job creation
 Help business to flourish by supporting infrastructure for start-up businesses and facilitating a Business Improvement District
- Wellbeing: Help residents adopt healthier lifestyles by enabling the provision of excellent leisure facilities and beautiful green spaces, countryside and beaches

8. Consultation

8.1 Each project has its own consultation plan if appropriate

9. Publicity Considerations

- 9.1 Publicity is undertaken at key milestones for projects where appropriate

10. Financial implications

- 10.1 Capital spending in the RIF was reported to Scrutiny Panel on 12 June 2018 alongside the whole capital programme. The RIF position is set out at Appendix A.
- 10.2. Capital spending last year totalled £3.3m compared to a forecast of £4.4m with the main areas of spend being Northern Gateway (North and South), the Amphora Place scheme and costs associated with land assembly in the Town Centre. Revised projections are being made to update the cashflow forecast to take account of last year's spending. The CNG Drainage Project is now complete and the system commissioned. However, this has required additional expenditure above the original budget allocation, which has been met from reallocating resources within the RIF. A full review of the project is ongoing and the impact of this on the RIF will be considered in future reports.
- 10.3. Capital receipts during 2017/18 totalled £47k, which was considerably less than forecast earlier in the year. This includes delays in respect of sales at Magdalen Street and the St Botolphs quarter. These were identified during the year and have been re-profiled into 2018/19. Capital receipts in the region of c£24m are forecast during the next 2 to 3 years. As has been previously highlighted the timing of spend and these capital receipts means there is likely to be a cashflow cost associated with the RIF. This risk was recognised in the budget report and the position will be reviewed during the year as both spending and funding plans are reviewed.
- 10.4. Revenue income from the RIF totalled c£0.3m. This included income from Amphora Place and David Lloyd Leisure. The 2018/19 budget includes further income of £264k.

11. Health, Wellbeing and Community Safety Implications

- 11.1 None identified at this stage.

12. Health and Safety Implications

- 12.1 None identified at this stage.

13. Risk Management Implications

- 13.1 All projects with the RIF have risk registers which are used to log and analyse risks and set out mitigations, these are regularly reviewed and updated by the project managers. Risks which change in severity are escalated to the monthly RIF Steering Group meetings.

	Total Programme £'000	Spend to Q4 £'000	Projected Expenditure			(Surplus) / Shortfall £'000
			2017/18 £'000	2018/19 £'000	2019/20 £'000	
REVOLVING INVESTMENT FUND						
Northern Gateway North	151.5	31.7	111.5	40.0	0.0	0.0
CNGN - Mile End Cricket	200.0	84.7	100.0	100.0	0.0	0.0
CNGN - Sports Hub	24,100.0	898.6	1,182.0	7,762.0	15,156.0	0.0
Northern Gateway South	932.9	664.6	482.9	450.0	0.0	0.0
CNG - Marketing & Branding	81.3	0.0	6.3	75.0	0.0	0.0
Town Centre	5,256.2	540.6	729.3	4,526.9	0.0	0.0
Jacks - St Nicholas St	445.1	107.7	445.1	0.0	0.0	0.0
Sheepen Road	690.9	552.7	690.9	0.0	0.0	0.0
Sheepen Road Phase 2	2,198.8	197.6	198.8	2,000.0	0.0	0.0
District Heating Project North	238.2	101.1	208.2	30.0	0.0	0.0
Colchester Northern Gateway Heat Network	5,900.0	0.0	0.0	3,000.0	2,900.0	0.0
East Colchester Enabling Fund	219.7	2.3	5.0	214.7	0.0	0.0
Breakers Park	69.0	0.0	69.0	0.0	0.0	0.0
Surface Water Flooding - Distillery Lane/Haven Road	73.4	52.0	73.4	0.0	0.0	0.0
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0
Moler Works Site	40.7	38.2	40.7	0.0	0.0	0.0
CMP Phase 3 - PV Systems	95.4	0.0	0.0	95.4	0.0	0.0
Business Broadband	19.1	0.0	19.1	0.0	0.0	0.0
Digital Strategy - feasibility	195.0	0.0	20.0	175.0	0.0	0.0
TOTAL - RIF	40,912.0	3,271.8	4,387.0	18,469.0	18,056.0	0.0

Notes:-

Spend to Q4 represents end of year spend for year.

2017/18, 2018/19 and 2019/20 figures represents projections made at quarter 3. The 18/19 and 19/20 figures will be updated to re-profile the underspend in 2017/18.

