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Title	RIF – Financial Update		
Wards affected	All		

## 1. Executive Summary

- 1.1. This report provides an update on projected revenue income generated by the Revolving Investment Fund (RIF), its capital expenditure, and projected capital receipts.
- 1.2. Projected annual revenue income is currently projected to increase to over £900k by 2021/22.
- 1.3. The overall RIF capital programme currently stands at £37m. There is an overall shortfall of funding of £0.8m as a result of changes to capital receipt projections including opportunities taken to hold sites and develop to produce a revenue income rather than by taking a capital sum. There remain a number of risks attached to the capital receipts projections which require regular monitoring to ensure that the forecasts remain realistic. The report sets out the temporary borrowing required to manage the cashflows within the RIF, most of which reflect the decisions in respect of the Northern Gateway Sports project.
- 1.4. The programme has been reviewed including updated capital receipt projections. A number of new allocations are proposed 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 agree the reallocation of £1.275m of funds to balance the RIF forecast and proposed new funding allocations detailed in **Appendix D**.
- 2.3. To agree that individual allocations from the £250k proposed for feasibility studies or other pre-development work up to £50k be delegated to the Portfolio Holder for Resources.

## 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 / economic growth projects. This paper sets out the updated financial position of the RIF and proposes allocations of funding to specific projects.

#### **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 income budget 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

### *Revenue income*

- 5.1. 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. 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.

	2017/18	2018/19	2019/20	2020/21	2021/22	Ongoing
	£'000	£'000	£'000	£'000	£'000	£'000
Forecast	(405)	(618)	(866)	(816)	(954)	(954)

*Note: figures are shown gross of any borrowing costs and include some income in the HRA.*

### *Expenditure forecast*

- 5.2. The RIF programme from 2018/19 now stands at £37m. This is detailed in **Appendix B** and includes expenditure forecasts to 2020/21. These forecasts include a projected overspend of £68k. It is proposed that this is met by allocating resources from elsewhere in the RIF budget as detailed later in this report.

### *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 **Appendix C**. 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	(670)	(5,930)	(3,200)	0	0
For other RIF schemes	(1,296)	(3,619)	(19)	(4,419)	(19)
<b>Total capital receipts</b>	<b>(1,966)</b>	<b>(9,549)</b>	<b>(3,219)</b>	<b>(4,419)</b>	<b>(19)</b>
<i>Other funding</i>					
For NGW Sports Project	(2,905)	(4,298)	0	2,000	(6,800)
For other RIF schemes	(946)	(3,721)	(250)	(250)	0
<b>Total other funding</b>	<b>(3,851)</b>	<b>(8,019)</b>	<b>(250)</b>	<b>1,750</b>	<b>(6,800)</b>
<i>Long term borrowing</i>					
For NGW Sports Project	0	(2,827)	0	0	0
For other RIF schemes	(1,700)	0	0	0	0
<b>Total Long term Borrowing</b>	<b>(1,700)</b>	<b>(2,827)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total RIF Funding</b>	<b>(7,517)</b>	<b>(20,395)</b>	<b>(3,469)</b>	<b>(2,669)</b>	<b>(6,819)</b>

- 5.4. The following table provides a summary of the overall RIF account, which is detailed in the confidential **Appendix C**. Based on the updated expenditure forecasts and capital funding projections there is a funding shortfall of £7.6m this year, rising to £11.8m next year and then falling to a shortfall of £841k by 2022/23. The shortfall is being funded by short term temporary borrowing.

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Shortfall B/Fwd	4,359	7,594	11,817	10,329	7,660
Spending	10,752	24,618	1,981	0	0
Capital receipts and other funding	(7,517)	(20,395)	(3,469)	(2,669)	(6,819)
Shortfall C/Fwd	7,594	11,817	10,329	7,660	841

- 5.5. An estimate of the revenue impact of temporary borrowing is shown in the following table based on prevailing PWLB borrowing rates. These costs can be viewed alongside the additional revenue income being generated within the RIF

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Average Shortfall each year	5,977	9,706	11,073	8,995	4,250
Interest cost	90	146	166	135	64

### Review of RIF Programme

- 5.6. A review of the overall RIF programme has been carried out. This includes considering existing budgetary allocations and emerging areas where funding is required.
- 5.7. The new allocations total £434k and include a proposed allocation of £250k for general pre-development / feasibility projects. These are set out in **Appendix D**. When combined with the overall shortfall of the programme of £841k it gives a total funding gap of £1.275m. It is proposed that this is funded by removing part of the uncommitted RIF Town Centre allocation.
- 5.8. 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.

### Summary

- 5.9. The report shows that new income streams have been created from the investment provided in the RIF. For example revenue income during 2017/18 and 2018/19 is forecast to total almost £1m. The RIF has also delivered economic growth benefits to the Borough, through the creation and retention of jobs, community benefits and skills and training and business sector support. For example Amphora Phase 1 retained circa 190 jobs and created circa 60. It also achieved the highest office rent in Colchester at that time which has in turn stimulated inward investment and occupier activity in Colchester offices.
- 5.10. The proposals in this report will produce a balanced RIF programme and also provide funding for new projects which in turn may be developed to produce future income streams.

- 5.11. It is important to stress that the RIF includes 'regeneration' schemes alongside more commercial schemes. As such it should be recognised that the 'returns' are not purely income based.
- 5.12. The overall RIF position shows annual deficits in the next few years. This is partly as a result of the Northern Gateway Sports project where some funding is expected later. This does present a risk to the Council which has been considered in separate reports and will be monitored on a regular basis.

## **6. Strategic Plan References**

- 6.1. 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.

## **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 These are set out within the report.

## **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.

## **Appendices**

Appendix A: Revenue Income Projections (Confidential)

Appendix B: RIF – Capital Programme

Appendix C: RIF – Medium Term Forecast (Confidential)

Appendix D: Proposed Expenditure

## **Background Papers**

None

## RIF – Capital Programme 2018/19

				Projected Expenditure					
		Total Programme	Spend to Q2	2018/19	2019/20	2020/21	(Surplus) / Shortfall	RAG Status	
	Service / Scheme	£'000	£'000	£'000	£'000	£'000	£'000	Q2	Q1
	REVOLVING INVESTMENT FUND								
	Northern Gateway North	89.5	24.9	89.5	0.0	0.0	0.0	G	G
	CNGN - Mile End Cricket	122.2	107.1	122.2	0.0	0.0	0.0	G	G
	CNGN - Sports Hub	23,201.4	635.2	5,500.0	16,000.0	1,701.4	0.0	A	A
	Northern Gateway South	134.3	177.3	204.0	0.0	0.0	69.7	A	A
	CNGS - Detailed Planning	923.8	146.3	923.8	0.0	0.0	0.0	G	-
	CNGS - Boulevard	3,471.2	0.0	100.0	3,371.2	0.0	0.0	G	-
	CNG - Marketing & Branding	81.3	11.5	11.5	0.0	0.0	(69.8)	G	G
	Town Centre	4,740.6	621.3	1,061.0	3,399.6	280.0	0.0	G	G
	Jacks - St Nicholas St	337.4	11.8	337.4	0.0	0.0	0.0	G	G
	St Nicholas Square & Balcerne Gardens	35.0	15.2	35.0	0.0	0.0	0.0	G	G
	Sheepen Road	138.2	(33.9)	4.0	0.0	0.0	(134.2)	G	G
	Sheepen Road Phase 2	2,001.2	572.3	2,204.0	0.0	0.0	202.8	R	G
	St Botolphs Public Realm	155.0	0.8	50.0	105.0	0.0	0.0	G	G
	East Colchester Enabling Fund	217.4	0.0	50.0	167.4	0.0	0.0	G	G
	Breakers Park	69.0	0.0	12.0	57.0	0.0	0.0	G	G
	Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	G	G
	Moler Works Site	2.5	(0.6)	2.5	0.0	0.0	0.0	G	G
	CMP Phase 3 - PV Systems	95.4	0.0	0.0	95.4	0.0	0.0	A	G
	Digital Strategy - feasibility	182.6	8.7	40.0	142.6	0.0	0.0	A	G
	TOTAL - RIF	36,002.8	2,297.9	10,751.7	23,338.2	1,981.4	68.5		

**RIF – Proposed Expenditure**

	£'000	Note
Sport and Leisure Asset review	120	New opportunities are being explored to support growing Sport and Leisure in the Borough with a focus on the Colchester Leisureworld site.
Vineyard Gate feasibility	15	CBC continues to explore a new set of proposals for the Vineyard Gate area
Grow-on former Queen St Bus Depot	19	Work is underway to explore the development of new grow on space units in the town centre following on from the success of the 37 Queen Street incubator
Public Realm - St Nicholas Square	20	This project will develop new designs for a public square
Broad Lane Sports Ground Wivenhoe	10	Feasibility work to explore options for the Sports Group at Wivenhoe
Pre development / feasibility funds	250	Pot to fund initial feasibility studies for emerging income generation or regeneration opportunities.
Current Shortfall	841	
<b>Total costs (incl. shortfall)</b>	<b>1,275</b>	
<i>Funded by :-</i>		
Town Centre - uncommitted balance	(1,275)	