

Revolving Investment Fund Committee Meeting

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

Wednesday, 16 January 2019 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.

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Access

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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, 16 January 2019 at 18:00

The Revolving Investment Fund Committee Members are:

Councillor David King (Chairman)
Councillor Tim Young (Deputy Chairman)
Councillor Nick Barlow
Councillor Mark Cory

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 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.

2 Substitutions

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

3 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.

4 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.

5 Minutes of Previous Meeting

The Councillors will be invited to confirm that the minutes are a correct record of the meeting held on 20 December 2018.

RIF 201218 - public version

7 - 10

6 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.

7 Revolving Investment Fund - Financial Update

11 - 18

The Committee will consider a report providing an update on the projected revenue income generated by the Revolving Investment Fund, its capital expenditure and projected capital receipts.

8 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)

9 Minutes (Part B)

To confirm as a correct record the not for publication extract from the minutes of the meeting held on 20 December 2018.

10 Revolving Investment Fund - Financial Update (Part B)

To note the not for publication Appendices A and C to the Assistant Director's report.

REVOLVING INVESTMENT FUND COMMITTEE

20 December 2018

Present:- Councillor King (Chairman) Barlow, Cory

Substitutes: Councillor Bourne for Councillor T. Young

81. Minutes

RESOLVED that the minutes of the meeting held on 17 October 2018 be confirmed as a correct record.

82. Plot 600 Colchester Business Park – Disposal of Site

The Assistant Director, Policy and Corporate submitted a report a copy of which had been circulated to each Member.

Elizabeth Simpson, Head of Estates, Colchester Amphora Ltd, and Fiona Duhamel, Assistant Director, Colchester Commercial (Holdings) Ltd, presented the report to the Committee. It was explained that the site had been openly and widely marketed. Six expressions of interest had been received, leading to three formal bids. These had been assessed using a weighted scoring matrix and were scored against purchase price, site area required, conditions, suitability of proposed use and the bidders ability to perform. On the basis of the assessment officers were making a recommendation, the details of which were set out in Appendix on part B of the agenda.

In discussion members of the Committee sought reassurance that adequate parking facilities would be provided. It was explained that the recommended bid was conditional. One of the conditions would require the successful bidder to obtain planning permission and parking provision would be addressed as part of this process. Members also explored whether the business park would be connected to the ultra-fast broadband network. It was explained that a bid had been made to Department for Culture, Media and Sport for funding to extend the network to north Colchester. If successful it was hoped that the network would extend to the Business Park. However, the tenants could not be compelled to connect to the network.

The Committee welcomed the proposals set out in the Assistant Director's report. The bid assessment process was an effective and well established process in which members and the public could have confidence. It was noted that it was anticipated that the development would support 500 office based jobs, both existing and new. This was consistent with the wider policy for commercial sites in North Colchester, where office developments were

being sought in order to drive an uplift in wages, rather than warehouse developments, which needed large plots of land and created a smaller number of jobs. The interest in the site and number of bids received was indicative of the confidence the business community felt in Colchester as an office location.

RESOLVED that:-

- (a) The disposal of Plot 600, as identified on the site plan at Appendix A to the Assistant Director's report, be agreed.
- (b) The total capital receipt for this site be allocated into the Revolving Investment Fund (RIF).
- (c) Negotiations be entered into with the preferred bidders for Plot 600 as detailed in Appendix B on part B of the agenda.
- (d) If agreement is not reached with the preferred bidder for the site, authority be delegated to the Assistant Director, Policy and Corporate, in consultation with the Portfolio Holder for Resources to approach the under bidders to secure the best terms for disposal.
- (e) Authority be delegated to the Assistant Director, Policy and Corporate, in conjunction with the Portfolio Holder for Resources to negotiate the Heads of Terms and the conclusion of legal documentation for the sale of the site.

REASONS

To enter into negotiations with the preferred bidder for the site with the objective of disposing of them to secure capital receipts to support the Revolving Investment Fund (RIF) which recycles capital to fund regeneration projects and income producing investments.

ALTERNATIVE OPTIONS

The Council could keep hold of the land and retain it as a longer term asset to develop it itself in the future. However, the capital receipt has already been earmarked to support regeneration projects within the RIF.

The Council could seek to accept bids which were not conditional on planning or on any other factors. Whilst this may be suitable in order to dispose of the property quickly, it may not achieve the highest value and/or the best use of the site although it would remove some of the risks surrounding a conditional disposal.

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.

83. Minutes

RESOLVED that the not for publication extract from the minutes of the meeting held on 17 October 2018 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 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.

84. Plot 600, Colchester Business Park – Disposal of Site

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).

16 Januray 2019

Report of	Assistant Director Policy & Corporate	Author	Fiona Duhamel ☎ 282976 Sean Plummer ☎ 282347
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)
Total capital receipts	(1,966)	(9,549)	(3,219)	(4,419)	(19)
<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
Total other funding	(3,851)	(8,019)	(250)	1,750	(6,800)
<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
Total Long term Borrowing	(1,700)	(2,827)	0	0	0
Total RIF Funding	(7,517)	(20,395)	(3,469)	(2,669)	(6,819)

- 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	
Total costs (incl. shortfall)	1,275	
<i>Funded by :-</i>		
Town Centre - uncommitted balance	(1,275)	

