

Economic Development Sub-Committee

Item No.

Report title:	Norfolk Infrastructure Fund Update
Date of meeting:	24 March 2016
Responsible Chief Officer:	Tom McCabe, Executive Director, Community and Environmental Services (CES)

Strategic impact

Norfolk needs to deliver significant levels of growth. However, public funding for the essential infrastructure to support this growth is very limited. For growth to be sustainable, it must be accompanied by investment in the necessary supporting infrastructure, while maintaining the quality of Norfolk as an environment in which to work and live. The Norfolk Infrastructure Fund is designed to assist in achieving that balance. In some cases projects are grants, in others, loans due to return to, and top up, the Fund.

Executive summary

The report gives a progress update on activity and spend in 2015/16.

Current projects are:

- £7.208m towards the purchase of RAF Coltishall (now known as Scottow Enterprise Park), including £1m towards improving essential infrastructure at the site.
- Better Broadband for Norfolk – £6m, part of a £16m County Council commitment, leveraging £43.34m of funds from other sources, for the improvement of basic speeds and access to Superfast broadband in 90% of rural locations in the county.
- Great Yarmouth Energy Park - £2.75m for the acquisition of licences on key sites to support the creation of a 50-acre business park, to serve as a base for the gas/offshore wind supply chain and capitalise on business generated by the East Anglia Array wind farm.
- £2.420m to support the development of housing on part of the Beach Coach Station Car Park in Great Yarmouth (Royal Britannia Crescent).
- £1m investment in a housing joint venture with King's Lynn and West Norfolk Borough Council on the NORA (Nar Ouse Regeneration Area) site in King's Lynn, supplemented by a further £0.200m agreed by this sub-committee in January 2015.

Recommendations: members are requested to note and comment on the report

1. **Proposal**

1.1. This is the fifth annual report on the operation of the Norfolk Infrastructure Fund, the background to which can be found in Section 5. It updates members on decisions and progress on individual schemes and the overall financial position of the Fund. Current commitments:

- £7.208m towards the purchase of RAF Coltishall, including £1m towards improving essential infrastructure at the site.
- £6m to support broadband development in rural parts of Norfolk.
- £2.420m to support the development of housing on part of the Beach Coach Station Car Park in Great Yarmouth (Royal Britannia Crescent).
- A £1.5m investment to enable the development of a new technology block at the College of West Anglia
- £1m investment in a housing joint venture with King's Lynn and West Norfolk Borough Council on the NORA (Nar Ouse Regeneration Area) site in King's Lynn

Progress on projects is detailed in the report. Due to the profile of funding for schemes, the forecast balance of the fund at 31 March 2016 is estimated to be £1.547m, and we have committed to funding £3.549m of borrowing.

2. **Progress update**

2.1 **Proposals for uncommitted funds**

At the sub-committee meeting last year, members agreed for proposals to be explored for the remaining uncommitted Fund amount relating to improving broadband rollout to SMEs (small and medium sized enterprises).

It was agreed that officers would consider the outline of a scheme to increase broadband coverage. Having explored the issue thoroughly, it was concluded that the delivery of a scheme would be premature for a number of reasons:

- The BDUK (Government match-funded) broadband scheme was due to finish in December 2015. By then it was projected that over 80% of all properties would be covered (a rise from 43% if we had not intervened).
- The programme for the rollout of Phase 2 (a) – which included Council and Local Enterprise Partnership funding – was being developed and would be officially launched in January 2016. This should bring coverage up to 90%.
- Phase 2(b) – the District Councils' funded programme – would start later in 2016 and conclude in 2017/18.
- The key issue is that the Council will not know where all the gaps are for at least another year. The estimated 5% of premises that will be left equates to about 22,000 properties. This will include around 2000 businesses.
- Therefore, the recommendation is that the Council defer considering any support until at least the middle of 2017.

2.2 Updates on live projects

2.2.1 NORA (Nar Ouse Regeneration Area) Housing Project

Norfolk County Council agreed to invest £1m, matched by a £1m land investment by King's Lynn and West Norfolk Borough Council (KLWNBC), to support the Nar Ouse Regeneration Area (NORA). The project was to develop 12.6 acres of residential land, providing 170 homes through a joint venture agreement (JVA).

The strategic objectives of the project are to:

- Enable and risk-manage a financially viable housing development on the NORA site at a time of market inactivity.
- Use the initial public sector investment (£1.4m in capital, £3.6m cash flow, plus land) to realise the first phase of the development.
- Retain the choice to reinvest the returns from the first phase in order to realise future phases.
- Actively contribute towards improving future prospects for the community of King's Lynn and West Norfolk.

Latest progress

- By the end of February 2016 all of the available stock of 54 houses on Phase 1 had been sold. Phase 1 includes 8 affordable homes.
- Phase 2 is under construction and 20% of the 58 houses have already been sold off plan. The house prices on Phase 2 have been increased to reflect market inflation and subtle design changes.
- As a reminder to members about the financial agreements made with KLWNBC, the following extract comes from the NORA housing project update given to the Economic Development Sub-Committee on 19 January 2014:
 - 1) The project would be developed in phases in order to limit the financial risk
 - 2) On satisfactory completion of each phase, the Council's £1m capital contribution would be rolled forward into the next phase until the NORA project was complete
 - 3) At the end of the project, the Council's £1m, and any surplus generated, could be used for other regeneration projects in the KLWNBC area
 - 4) Any financial deficit would be shared equally between the partners.

There have been additional costs for this challenging site, mainly due to ground conditions and reduced revenue, which mean that the Council's investment has been fully absorbed in Phase 1. The Borough Council has also shared in these additional costs. This means that the £1m will not be recycled within the King's Lynn area and will be retained within the project.

In addition, a further £0.2m was agreed to be allocated from the NIF to offset additional risk areas. KLWNBC allocated a similar amount and offered to limit the Council Council's total liability for the project to the original £1m investment, plus this additional £0.2m.

Based on the Phase 1 outturn and Phase 2 estimates, the £0.2m could be recouped by the end of Phase 3. There is sufficient NIF funding to support the ongoing revenue cost of borrowing until the scheme's completion.

- The Borough Council's Phase 3 procurement process will ensure costs are minimised and sales values are maximised through a phased release of properties to the market. Once the process has been completed a business

plan will provided to the Joint Venture board.

- Phase 3 cashflow is currently being completed, taking account of the Phase 1 outturn and the projected Phase 2 outturn.
- Phase 3 projections will be reviewed once the procurement process has completed in July/August, so an update report for Phase 3 will be brought to the September 2016 Sub-Committee.

2.2.2 **Beach Coach Station Car Park, Great Yarmouth (Royal Britannia Crescent)**

The Great Yarmouth Area Board commissioned the Great Yarmouth Development Company (GYDC), whose members include Norfolk County Council and Great Yarmouth Borough Council (GYBC), to develop a proposal to construct 19 new homes, including three affordable homes, on the site of Beach Coach Station Car Park on Nelson Road North in Great Yarmouth.

It was decided to intervene because the market wouldn't - on that site and at that time - to create market confidence and to provide some much-needed quality, and affordable, housing in that part of the town.

A £2.427m investment from the NIF was agreed by Cabinet in November 2011. The investment is in the form of a loan to the GYDC. The intention was for the loan to be repaid from the sale of the properties. GYBC agreed to provide the land.

Latest progress

- This project is in its final stage and items on the property snagging list that were outstanding have been dealt with as part of the two-year defect period. A formal site sign off was completed with the contractors, R G Carter.
- All properties have been sold, so the desired outcome has been achieved. However, the entire £2.427m loan will not be returned to the NIF. The closing profit and loss account for the project shows a loss of £0.111m, due to higher than projected construction costs and slightly lower than projected sales costs:

	Business Plan	Out-turn
	£'000	£'000
Sales	2.440	2.316
Construction Costs	1.718	2.191
Other Costs	0.358	0.236
	2.076	2.427
Profit/ (loss)	0.364	(0.111)

In order to achieve the breakeven position, the loss incurred on the RBC project of £110,462 was funded by the County Council from the NIF, as at 31 March 2015. This loss will be partly offset by a recent VAT recovery relating to the project of £11,766, which will be credited back to the NIF.

2.2.3 **Great Yarmouth Energy Park (South Denes)**

In November 2012 the Board of the GYDC approved the undertaking of a baseline study and preparation of a regeneration plan, with associated delivery strategy, for an area of land in South Denes, to the north of the Enterprise Zone. The majority of the site's freehold is owned by GYBC, but subject to long leases. Most of the remainder is owned by one other company, with more modern leases. The aim is to create a 50-acre Energy Park, suitable as a base for the offshore gas and wind industry supply chain, capitalising on future business to be generated by the East Anglia Array wind farm.

The Regeneration Plan delivered in December 2013 estimated that £3m of capital will be required for acquisition of the leases on priority sites. GYBC recommended £0.250m of capital receipts be allocated to taking the project forward, and have applied to the New Anglia Local Enterprise Partnership for Enterprise Zone Challenge Fund monies to cover this cost. The Leader of Norfolk County Council agreed that the balance (£2.75m) be funded through NIF, although due to the profile of expected acquisitions and disposals we would not expect the full amount of funding to be required at any one time.

A high level, four year delivery strategy was provided in Spring 2014, offering an investment profile for the period. Investment is based on a pooled arrangement, where all capital receipts will be ring-fenced for future re-investment until completion of the Delivery Strategy. Upon completion of the project, the available pooled funds will be used to return any upfront investment to the partners. Losses or surpluses will be shared by partners, with any surpluses reinvested in future regeneration projects. Business cases for each lease acquisition will be presented to the GYDC Board for consideration.

Latest progress

- Work continues on purchasing leases and re-locating tenants to and from the Park. A four-day public enquiry is due to begin on 17 May to consider the land owner's objections to a compulsory purchase order on the Block 12 site.

2.2.4 **Scottow Enterprise Park (former RAF Coltishall)**

Up to £7.208m of investment from the Norfolk Infrastructure Fund has been approved for the former RAF Coltishall site. The investment covers the cost of purchasing the site from the Ministry of Justice (MoJ) and investment towards improving essential infrastructure and buildings on the site, in order to attract new businesses, encourage growth and generate jobs.

Latest progress

Work to complete the utility separation for the water main network and infrastructure utilities upgrade works has commenced. Work on the capital programme for building improvement continues, in order to bring back buildings back into a lettable condition. The remainder of approved NIF funding for essential infrastructure improvements will be used, and the balance of funds will be raised through external funding from Enterprise Zone status, and where required, prudential borrowing.

A number of business will be taking advantage of the benefits of Enterprise Zone status as from April 2016 which will bring a rise in secured jobs on the site and bring additional rental income that will be reinvested into the site. Phase Two of the solar farm will be completed by the end of March 2016 and will guarantee a significant income stream for the next 20 years.

2.2.5 **Better Broadband for Norfolk (supporting better broadband access in rural areas)**

Two thirds of Norfolk companies are located in rural areas with most employing fewer than 10 staff. Broadband is currently poor or non-existent in many rural locations. The 'Better Broadband for Norfolk' project objectives are:

- An 'open infrastructure' enabling multiple Internet Service Providers (ISPs) to offer services to residents and businesses. This will drive competition and on-going service development
- All customers to have a choice of at least two ISPs, in order to offer them best value for money
- The delivery of economic benefits, based on significant levels of 'speed uplift' (the amount of broadband speed increase from the current service) made possible by improved broadband infrastructure availability in large parts of Norfolk
- 2Mbps speeds as a minimum across Norfolk, so that everyone who wants access to broadband can have it
- Increase the number of properties that have access to Superfast broadband.

Building on a successful bid to the Government's BDUK fund for £15.44m - supplemented by over £11m from BT, the chosen supplier - Norfolk Council agreed a match-funding contribution of £15m to the project. £5m of the Council's contribution is to come from the Norfolk Infrastructure Fund, the remainder from prudential borrowing.

In December 2012 Norfolk County Council and BT signed a deal to make superfast broadband (24 Mbps+) available to more than 80% of Norfolk's homes and businesses by the end of 2015. The Better Broadband for Norfolk (BBfN) programme completed ahead of schedule in September 2015, having given 186,000 extra Norfolk premises access to high-speed broadband.

A further successful bid to the Government's Local Growth Fund, in conjunction with New Anglia Local Enterprise Partnership (NALEP), secured a further £6m from Government, £5m from NALEP and £5.9m from BT, with an additional £1m from the County Council. This should increase superfast coverage to 90% of Norfolk properties. The County Council's £1m is scheduled to be committed in 2017-18. The extension to the programme is now underway.

Further funding from rural District Councils, and a £5.3m rebate from the first contract is being applied, which will make better broadband available to even more Norfolk premises and is expected to meet the national target of making superfast broadband available to 95% of the UK by the end of 2017.

Latest progress

The project successfully delivered Contract 1, and Contract 2 is underway.

3. Financial Implications

- 3.1. The NIF utilises the 25% second homes funding retained by the County Council, (approximately £0.885m annually), as well the one off contribution of the 2011/12 New Homes Bonus allocation of £0.799m. Due to the profile of funding for schemes, the forecast balance of the fund at 31 March 2016 is estimated to be £1.547m. As at 31 March we have undertaken £3.549m of borrowing, the ongoing revenue cost covered by the Fund is approximately £0.442m.

3.2. The table below shows the profile of the Fund since its inception:

Borrowing requirement	Total Investment	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
3rd River Crossing	0.800	0.800					
College of West Anglia	1.500		0.105	1.395			
Broadband	3.600					0.000	3.600
Beach Coach Station (Britannia Crescent)	0.124			1.247	1.048	(2.171)	
Gt Yarmouth Energy Park	0.125					0.125	
Scottow Enterprise Park - Capital costs						0.403	0.000
NORA	1.000		0.307	0.443	0.250	0.000	0.000
Total Borrowing commitment	7.024	0.800	0.412	3.085	1.298	(2.046)	3.600
Cumulative Borrowing Position		0.800	1.212	4.297	5.595	3.549	7.149
Balance of the Fund							
Opening balance of reserve		(1.151)	(1.151)	(4.745)	(2.378)	(2.015)	(0.549)
Additions to the fund			(3.658)	(1.914)	(1.161)	(0.885)	(0.885)
Borrowing costs			0.065	0.098	0.247	0.442	0.277
<u>One off Funding</u>							
Scottow Enterprise park - revenue funding				4.183	1.270	0.677	0.100
NORA - one-off						0.007	0.200
Thetford					0.006		
Broadband							0.000
Gt Yarmouth						0.524	
Contribution to The Willows compensation						0.700	
		(1.151)	(4.745)	(2.378)	(2.015)	(0.549)	(0.857)
Capital receipts						(0.700)	
Reserve balance		(1.151)	(4.745)	(2.378)	(2.015)	(1.249)	(1.547)

