



Resource Allocation Sub (Policy and Resources) Committee

Date: THURSDAY, 4 JULY 2019

Time: 12.00 pm

Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

5. CAPITAL FUNDING UPDATE

Report of the Chamberlain.

For Decision
(Pages 1 – 12)

Item received too late for circulation in conjunction with the Agenda.

John Barradell
Town Clerk and Chief Executive

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Agenda Item 5

Committee(s): Resource Allocation Sub Committee – For decision Policy and Resources – For decision Finance Committee Court of Common Council	Date(s): 4 July 2019 4 July 2019 Urgency 18 July 2019
Subject: Capital Funding Update – Capital Funding Update	Public
Report of: The Chamberlain	For Decision
Report author: Caroline Al-Beyerty, Deputy Chamberlain	

Summary

This report follows on from the main capital prioritisation paper agreed in April and subsequent funding approvals in May. It proposes the release of funding for six schemes previously agreed for progression outside of the fundamental review and also considers the case for one new scheme, Walbrook Wharf M&E replacement, to be allowed to progress outside of the fundamental review.

The urgent need for the new scheme has recently arisen following a survey that identified health and safety and regulatory compliance issues. The total cost is estimated at £1m - £1.6m and a bid for £138k of central resources to reach the next gateway is now being submitted.

Table 1: Project Funding Requests	City Fund (excluding Police)	City Fund Police	City's Cash	Bridge House Estates	Total Funding now requested
	£000	£000	£000	£000	£000
General Reserves					
Corporate IT Service Contract - outsourcing transition and	924	700	392	84	2,100
Police IT Modernisations					
Managed Desktop (including Office 365, Desktop refresh		3,800			3,800
Security Zone		750			750
Police Intranet/Sharepoint		250			250
Electrical Supply at Walbrook Wharf for electric vehicle charging	1,425				1,425
Walbrook Wharf urgent M&E	138				138
	2,487	5,500	392	84	8,463
On Street Parking Reserve					
Bank on Safety (residual funds to complete interim scheme)	400				400
TOTAL FUNDING NOW REQUESTED	2,887	5,500	392	84	8,863

Table 1 summarises the 7 funding bids amounting to £8.863m. Should they be agreed for progression, Corporate Priorities Board recommends the following sources of funding:

- £8.463m to be drawn down from the general reserves of the three main funds, including £5.5m for the City Police schemes as a supplement to the police cash limited budget. Since no existing approved financial provision exists for the £8.463m, this will also require agreement of the Finance Committee and Court of Common Council.
- £400k to be drawn from the balances currently available in the On-Street Parking Reserve.

In May, Members agreed the details of the proposed annual bid process. Due to the need to commence the preparation of this year's annual bids in advance of new prioritisation criteria being developed via the Fundamental Review, bids will be initially assessed against the existing criteria as set out in paragraph 2. Details of the new process will be advertised via the intranet with a report to be circulated to all service committees to ensure that Members are aware.

Recommendations

Members of the Resource Allocation Sub and Policy and Resources Committees are asked to:

- i. Allow the addition of the Walbrook Wharf M&E replacement project to the list of schemes agreed for progression outside of the Fundamental Review
- ii. Agree the allocation of central funding of up to £8.863m to allow the 7 schemes listed in Table 1 to progress, subject to the requisite gateway approvals.
- iii. Agree that £400k is to be met from the On Street Parking Reserve and £8.463m from the general reserves of the relevant funds.
- iv. Note that of this sum, £5.5m relates to the allocation of additional central City Fund resources for the police.
- v. Subject to (iii) above, seek the approval of the Finance Committee and Court of Common Council to allocate up to £8.463m from reserves of the relevant funds.
- vi. Note that this year's capital funding bids will be initially assessed against the existing prioritisation criteria pending new criteria to be developed via the Fundamental Review.

Main Report

Background

1. Members have agreed it is essential to prioritise effectively capital and SRP projects to be progressed, with funding allocated in a measured way by applying a process of prioritisation that ensures corporate objectives are met and schemes are affordable.
2. Earlier in the year, all pre gateway 5 projects requiring central funding, with a combined estimated cost of £429m, were subjected to an interim assessment against the following criteria:

Projects classified as **essential** which:

- i. Address a risk on the corporate risk register;
 - ii. Have a sound business case that clearly demonstrates the negative impact of deferring the scheme, i.e. penalty costs or loss of income, where these are material (if any schemes are deferred, cancelled or scope reduced there will inevitably be some abortive costs); and
 - iii. Fall within the following categories:
 - Health and safety compliance
 - Statutory compliance
 - Fully/substantially reimbursable
 - Spend-to-save or income- generating, generally with a short payback period (as a rule of thumb within 5 years)
 - Major renewals of income generating assets
 - Subsidiary categories to allow schemes that will ultimately result in a corporate risk:
 - replacement of critical end-of-life components for core services;
 - schemes required to deliver high priority policies; or
 - schemes with a high reputational impact.
3. This assessment resulted in schemes totalling £89m being agreed for progression outside of the Fundamental Review, with the remaining £340m remaining on hold pending the development of further prioritisation criteria.

Current Position

Bids for Funding Approval

4. There are six schemes with a total value of up to £9.295m that are at (or are about to reach) Gateway 4(a) of the Project Procedure – Inclusion in the capital programme – for which the release of funding of up to £8.725m is now requested. These schemes are listed in table 1 below, with further details about each project provided in Appendix 1:

Table 2: Summary of Bids for Consideration - Schemes previously agreed for progression outside of the Fundamental Review		Estimated Cost - City Fund excluding Police £000	Estimated Cost - Police (City Fund) £000	Estimated Cost - City's Cash £000	Estimated Cost - Bridge House Estates £000	Total Estimated Cost £000	Funding previously approved/ locally funded £000	Funding approval required now £000
Schemes fulfilling prioritisation criteria								
1	Bank on Safety (residual funds to complete interim scheme)	400	-	-	-	400		400
Replacement of Critical End of Life Assets/ significant service implications								
2	Corporate IT Service Contract - outsourcing transition and migration	973	726	413	88	2,200	100	2,100
Police IT Modernisations schemes:								
3	Managed Desktop (including Office 365, Desktop refresh etc)	-	4,065	-	-	4,065	265	3,800
4	Security Zone		850			850	100	750
5	Police Intranet/Sharepoint	-	250	-	-	250	-	250
Policy Implementation								
6	Electrical Supply at Walbrook Wharf for electric vehicle charging	1,530	-	-	-	1,530	105	1,425
		2,903	5,891	413	88	9,295	570	8,725

5. One new urgent essential scheme is requested to be allowed to progress outside of the fundamental review:

Table 3: Summary of New Bids for Consideration		Estimated Cost - City Fund excluding Police £000	Estimated Cost - City Fund Police share £000	Estimated Cost - City's Cash £000	Estimated Cost - Bridge House Estates £000	Total Estimated Cost £000	Funding previously approved £000	Funding approval required now £000
New schemes								
7	Walbrook Wharf urgent M&E replacement	1,600	-	-	-	1,600	5	138
		1,600	-	-	-	1,600	5	138

6. The reason for progressing this scheme now arises from the findings of a consultant survey of the M&E services in the Walbrook Wharf Depot. This has identified that urgent renewal is required to address critical defects in order to mitigate health and safety risks and to ensure compliance with statutory requirements. The total cost is estimated at £1m - £1.6m and the current request is for the release of £138k to reach the next gateway. Further details about the proposal are included in Appendix 1.

Release of funds now requested

7. Should Members agree to allocate resources to the 7 projects itemised above, central funding of up to £8.863m would be required as set out in Table 1.
8. Corporate Priorities Board proposes the following funding sources:
 - £8.463m to be drawn down from the general reserves of the three main funds as appropriate, noting that of this sum, £5.5m reflects the allocation of additional central City Fund resources for the police.
 - £400k to be drawn from the balances currently available in the On- Street Parking Reserve.

Annual Bid Process Update

9. Members have approved the introduction of an annual capital bid process to ensure that proposed new schemes are affordable and prioritised against criteria developed through the Fundamental Review, providing the opportunity to consider all bids across the organisation against the same criteria at the same time. Appendix 2 includes details of the process agreed in May.
10. In this first year of the annual process there is a timing conflict arising from the overlap between developing new prioritisation criteria and service committees agreeing their bids. For expediency it is proposed that this year's new bids will initially be assessed against the existing prioritisation criteria as set out in paragraph 2 above. The impact of any new criteria arising from the Fundamental Review will be reflected when bids are brought together for consideration by Resource Allocation Sub Committee in November. Going forward, any future reviews of prioritisation criteria will need to be timed appropriately.
11. It is important to ensure that this change in approach to allocating resources for new capital schemes is effectively communicated throughout the organisation to both officers and Members. Documentation and timetables for the submission of bids is being developed by the Town Clerk and Chamberlain with details to be advertised via the intranet. In addition, a report will be circulated to all service committees to ensure that Members are informed.

Conclusion

12. Six schemes that have previously been agreed for progression outside of the Fundamental Review, with a total estimated cost of £9.295m, have now reached Gateway 4(a) – Inclusion in the Capital Programme – and are therefore requesting the allocation of up to £8.725m to allow them to progress.
13. In addition, one new scheme - for the urgent replacement of M&E at Walbrook Wharf depot estimated to cost £1m - £1.6m - is being requested to progress outside of the Fundamental Review on the grounds of essential health and safety and statutory compliance. This scheme is at Gateway 2 and the release of £138k of central resources is now requested to reach the next gateway.
14. Should these requests be agreed, Corporate Priorities Board recommends the total requirement of £8.863m be met through the release of £400k from the On Street

Parking Reserve and £8.463m from the general reserves of the relevant funds. The latter amount will be subject to specific approval of the Finance Committee and Court of Common Council.

15. It should be noted that this funding request includes an allocation of £5.5m of additional City Fund reserves for the Police

16. Due to the need to commence the preparation of annual bids in advance of new prioritisation criteria being developed via the Fundamental Review, new bids in this first year will be initially assessed against the existing criteria as set out in paragraph 2. Details of the new bid process will be advertised via the intranet with a report to be circulated to all service committees to ensure that Members are aware.

Appendices

Appendix 1 Details of Bids for Project Funding

Appendix 2 Extract from report to RASC and P&R Committee report approved 2nd May 2019

Background Papers

- Capital and Supplementary Revenue Project Funding – Fundamental Review and Interim Revised Prioritisation Process: Policy and Resources Committee, 21 February 2019 (Public).
- Capital Funding – Interim Revised Prioritisation and Project Funding Update April 2019 (Public)

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Appendix 1

DETAILS OF BIDS FOR PROJECT FUNDING JULY 2019

Funding for schemes previously agreed for progression outside of the fundamental review

Six schemes previously agreed for progression outside of the fundamental review have now reached/are about to reach gateway 4(a) of the Corporate Project Procedure – inclusion in the capital programme. The total value of these schemes is £9.275m as set out in the table below, with central funding of £8.725m now requested:

Table 1: Summary of Bids for Consideration - Schemes previously agreed for progression outside of the Fundamental Review	Estimated Cost - City Fund excluding Police £000	Estimated Cost - Police (City Fund) £000	Estimated Cost - City's Cash £000	Estimated Cost - Bridge House Estates £000	Total Estimated Cost £000	Funding previously approved/ locally funded £000	Funding approval required now £000
Schemes fulfilling prioritisation criteria							
1 Bank on Safety (residual funds to complete interim scheme)	400	-	-	-	400		400
Replacement of Critical End of Life Assets/ significant service implications							
2 Corporate IT Service Contract - outsourcing transition and migration	973	726	413	88	2,200	100	2,100
Police IT Modernisations schemes:							
3 Managed Desktop (including Office 365, Desktop refresh etc)	-	4,065	-	-	4,065	265	3,800
4 Security Zone		850			850	100	750
5 Police Intranet/Sharepoint	-	250	-	-	250	-	250
Policy Implementation							
6 Electrical Supply at Walbrook Wharf for electric vehicle charging	1,530	-	-	-	1,530	105	1,425
	2,903	5,891	413	88	9,295	570	8,725

A summary of each scheme is provided below:

1. **Bank on Safety Project – top-up funding of up to £400k now requested**

- This scheme has successfully delivered the intended road safety and air quality objectives. However, officers were instructed to investigate additional measures to further improve compliance, behaviour and performance within the vicinity of the junction which was estimated to cost up to £400k.
- This request for funding of up to £400k is subject to the approval of a gateway 4/5 report by the Streets and Walkways and Projects Sub Committees later in July.
- This residual work was agreed to progress outside of the fundamental review and meets the criteria for an allocation from the On-Street Parking Reserve.

2. **Corporate IT Service Contract – outsourcing transition and migration – funding of up to £2.1m now requested**

- This scheme results from the re-tender of the outsourced IT service (currently provided by Agilisys) and consists of a programme of work including the provision of and transition to a Cloud based service.
- This project was agreed to progress outside of the fundamental review due to the time-critical nature of the new contract which is shortly going out to tender.

- The latest total estimated one-off costs now range between £1.2m and £2.2m (previously up to £1.2m), of which £100k has previously been approved (April 2019). The increase of £1m includes a provision to cover the costs of migrating to the public cloud if required.
- The scope of the IT service contract is corporate wide, with an estimated 1/3 of the project costs attributable to Police which will fall to be met from City Fund Resources, with the remaining 2/3 being apportioned between the three main funds (City Fund/City's Cash and Bridge House Estates).
- Approval of this funding of £2.1m is conditional upon the approval of the gateway 4 report by the Digital Services and Projects Sub Committees later in July.
- There is no earmarked funding source available for this expenditure and therefore an allocation from the reserves of the three main funds will be required.

Police IT Modernisation Schemes

These projects were agreed to progress outside of the fundamental review as they form the basis of the critical IT infrastructure vital to all services that rely on them. The policing service and national programmes have key dependencies on these core IT services being in place, with the current IT infrastructure life-expired and out of support. The delivery of shared CoL and CoLP initiatives, such as the Joint Command and Control Room and the Secure City Programme, is also dependent on this IT.

Approval of these police funding requests is subject to the approval of the gateway 4 reports by the Digital Services and Projects Sub Committees later in July and the subsequent approval of the Gateway 5 reports.

There is no budgetary provision for these schemes within the police cash limited budgets or the police medium term financial plans. As an interim concession, police budgets have been supplemented by additional City Fund resources to support essential police project expenditure pending the resolution of the police funding deficit. Therefore an allocation from the City Fund reserves of up to £4.8m will be necessary to progress these schemes.

3. **Police Managed Desktop – funding of up to £3.8m now requested**
 - This scheme includes the implementation of Windows 10, Office 365, device refresh, apps and related infrastructure.
 - The total estimated cost is £4.065m, of which £265k has previously been funded, leaving an unfunded balance of £3.8m to which approval is now sought.
4. **Police Security Zone – funding of up to £750k now requested**
 - This purpose of this scheme is to add an additional layer of security to the Local Area Network. The move to Cloud computing services necessitates the need to redesign the existing Security Zone.
 - The total estimated cost is £850k, of which £100k has previously been funded, leaving an unfunded balance of £750k to which approval is now sought.
5. **Police Intranet and Sharepoint – funding of up to £250k now requested**
 - Access to the intranet is essential to effective police communications. A new fit for purpose intranet is an essential element of the police IT service, with an upgrade to Sharepoint being an integral element.
 - The total estimated cost is £250k to which approval is now sought.
6. **Walbrook Wharf New Electrical Supply to Facilitate Electric Vehicle Charging – funding of up to £1.425m now requested**
 - One of the City's main corporate risks relates to air quality and the facilitation of a ULEZ compliant electric cleansing vehicle fleet is essential to support our clean air strategy. The electricity supply to the Walbrook Wharf depot is aged and inadequate for vehicle charging. (Note that the new cleansing contractor is

responsible for installation of electric charging points and the cost of electricity used.)

- This project is seen as a dependency of measures to mitigate the corporate air quality risk and on this basis, it was agreed to progress outside the fundamental review.
- Approval of this funding of up to £1.53m (including £182k to reach the next gateway) is conditional upon the approval of the gateway 4 report by the Corporate Asset and Projects Sub Committees and the subsequent approval of the Gateway 5 report.
- There is no earmarked source of funding to meet the cost of this scheme and therefore an additional allocation from City Fund reserves will be required to allow this scheme to progress.

NEW SCHEME – REQUEST FOR AUTHORITY TO PROGRESS OUTSIDE OF THE FUNDAMENTAL REVIEW AND FUNDING TO REACH THE NEXT GATEWAY

One new urgent essential scheme is requested to be allowed to progress outside of the fundamental review:

Table 2: Summary of New Bids for Consideration		Estimated Cost - City Fund excluding Police £000	Estimated Cost - City Fund Police share	Estimated Cost - City's Cash £000	Estimated Cost - Bridge House Estates	Total Estimated Cost £000	Funding previously approved £000	Funding approval required now £000
New schemes								
7	Walbrook Wharf urgent M&E replacement	1,600	-	-	-	1,600	5	138
		1,600	-	-	-	1,600	5	138

7. The reason this project is proposed to progress outside of the fundamental review is due to the findings of a consultant survey of the M&E services in the Walbrook Wharf Depot. This has identified that urgent renewal is required to address critical defects in order to mitigate health and safety risks and to ensure compliance with statutory requirements.

- The current estimated cost ranges from £1m - £1.6m. A request for central funding to reach gateway 4 of £138k is subject to the approval of the Gateway 2 report by the Corporate Asset and Projects Sub Committees later in July. A further bid for funding to implement the scheme will be made upon reaching Gateway 4(a).
- There is no earmarked source of funding to meet the cost of this scheme and therefore an additional allocation from City Fund reserves will be required.

Appendix 2

Extract from report to RASC and P&R Committee report approved 2nd May 2019

Annual Bid Process

17. Members have approved the introduction of an annual capital bid process to ensure that proposed new schemes are affordable and properly prioritised against criteria developed to reflect the new corporate model. This approach will provide the opportunity to consider all bids across the organisation against the same criteria at the same time. An outline of the intended process is provided below.

Indicative timing	Action	Responsibility
July	Business Planning Process concludes	Chief Officers Service Committees
July	Agree corporate priority assessment criteria and framework	Town Clerk and Chamberlain Resource Allocation Sub-Committee Policy and Resources Committee (discuss at awayday)
July-September	Service Committees to receive capital bid proposals and agree a prioritised order for their services for submission to RA Sub and P&R Committees	Chief Officers Service Committees
October	Capital bids from service committees assessed against criteria	Town Clerk Chamberlain
November	RA Sub and P&R Committees review bids from service committees and provide in principle funding approval to schemes for progression	Resource Allocation Sub-Committee Policy and Resources Committee
December/January	Indicative costs of agreed schemes incorporated into medium term financial plans to assess financial impact/affordability in context of each Corporation Fund	Town Clerk Chamberlain RA Sub Resource Allocation Sub-Committee Policy and Resources Committee
February/March	Approval of budget for ensuing year which will include confirmation of supported bids	Finance Committee Court of Common Council

- Successful implementation is dependent on
 - Clear links to the business planning cycle flowing through to financial planning processes
 - Clearly defined outcomes of each proposal with value for money uppermost
 - A transparent and equitable prioritisation process that can be applied objectively.
- Members will agree corporate priorities via the fundamental review and the assessment framework/criteria to be applied to project bids.

- Over the summer, Chief Officers will compile the capital bids for new funding arising from departmental business plans. These bids will need to incorporate any projects currently on hold.
- Each service committee will consider bids from Chief Officers, prioritise them against service objectives and agree which bids are to be submitted to Resource Allocation Sub and Policy and Resources Committees for 'in principle' funding approval.
- Bids from service committees will be aggregated across the organisation and submitted to RA Sub and P&R for consideration, set within the framework of the new corporate prioritisation criteria. This will provide transparency so that services are informed of how their projects score from a corporate perspective and will help to manage service expectations.
- The financial implications of schemes with 'in principle' funding approval will be modelled into the MTFP of the relevant Corporation Fund to assess affordability, sustainability and prudence in accordance with the Prudential Code.
- Supported new bids will be confirmed as part of the annual budget setting process.
- Links to Corporate Project Procedure
 - Annual bids submissions to be based on the existing Gateway 1 Project Briefing documentation to avoid duplication.
 - To avoid a waste of resources in progressing unfunded schemes, only projects with 'in principle' approval to funding will be allowed to progress through the gateway process.
 - Schemes approved in principle in March can then progress to Gateway 2 through to Gateway 4 by which time costs will be firmed up.
 - Corporate Projects Board to apply additional challenge to ensure focus/scope is restricted to critical outcomes of each scheme.
 - Projects will progress to Gateway 4(a) for Resource Allocation Sub and Policy and Resources Committees to consider a final bid for funding.

18. It is recognised that there is a potential timing conflict in this first year of the annual process arising from the overlap between finalising the prioritisation criteria and service committees agreeing their bids. Any future reviews of prioritisation criteria will need to be timed appropriately.

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