



Resource Allocation Sub (Policy and Resources) Committee

Date: THURSDAY, 11 DECEMBER 2014
Time: 12.00 noon
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Mark Boleat (Chairman)
Roger Chadwick (Deputy Chairman)
Deputy John Barker
Deputy Douglas Barrow
Deputy John Bennett
Deputy Michael Cassidy
Simon Duckworth
Alderman Jeffrey Evans
Stuart Fraser
George Gillon
Jeremy Mayhew
Deputy Catherine McGuinness
Deputy Joyce Nash
Deputy Dr Giles Shilson
Sir Michael Snyder
Deputy John Tomlinson
Alderman Sir David Wootton

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Lunch will be served in the Guildhall Club at 1pm
NB: Part of this meeting could be the subject of audio video recording

John Barradell
Town Clerk and Chief Executive

AGENDA

1. **APOLOGIES**
2. **MEMBERS DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES**
To agree the public minutes of the Sub-Committee meeting held on 2 October 2014.

For Decision
(Pages 1 - 4)
4. **PROJECT FUNDING UPDATE**
Report of the Chamberlain.

NB: To be read in conjunction with the appendices at Item No. 13.

For Decision
(Pages 5 - 8)
5. **FINANCING OF CAPITAL AND SUPPLEMENTARY REVENUE PROJECTS**
Report of the Chamberlain.

For Information
(Pages 9 - 18)
6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**
7. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
8. **EXCLUSION OF THE PUBLIC**

MOTION – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of the Schedule 12A of the Local Government Act.

Part 2 – Non-Public Agenda
9. **NON-PUBLIC MINUTES**
To agree the non-public minutes of the Sub-Committee meeting held on 2 October 2014.

For Decision
(Pages 19 - 20)
10. **BARBICAN CENTRE - CAPITAL CAP EXTENSION 2016/17**
Report of the Managing Director of the Barbican Centre.

For Decision
(Pages 21 - 28)

11. **OPERATIONAL PROPERTY PORTFOLIO - REPAIRS AND MAINTENANCE**

Report of the City Surveyor.

NB: This report was considered and approved by the Corporate Asset Sub-Committee.

For Decision
(Pages 29 - 44)

12. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY POWERS**

Report of the Town Clerk.

For Information
(Pages 45 - 46)

13. **PROJECT FUNDING UPDATE - APPENDIX**

To be considered in conjunction with item no. 4.

For Information
(Pages 47 - 48)

14. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB-COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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RESOURCE ALLOCATION SUB (POLICY AND RESOURCES) COMMITTEE

Thursday, 2 October 2014

Minutes of the meeting of the Resource Allocation Sub (Policy and Resources) Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Thursday, 2 October 2014 at 3.50 pm

Present

Members:

Mark Boleat (Chairman)	Jeremy Mayhew
Roger Chadwick (Deputy Chairman)	Deputy Catherine McGuinness
Deputy John Barker	Deputy Joyce Nash
Deputy Douglas Barrow	Deputy John Tomlinson
Deputy John Bennett	Alderman Sir David Wootton
Stuart Fraser	

Officers:

John Barradell	Town Clerk and Chief Executive
Peter Kane	Chamberlain
Caroline Al-Beyerty	Financial Services Director, Chamberlain's Department
Greg Moore	Town Clerk's Department

1. APOLOGIES

Apologies for absence were received from George Gillon, Deputy Dr Giles Shilson, and Alderman Alan Yarrow.

2. MEMBERS DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were none.

3. MINUTES

RESOLVED: That the minutes of the Sub-Committee meeting held on 8 May 2014 be agreed.

4. PROJECT FUNDING UPDATE

The Sub-Committee considered a report of the Chamberlain advising on the current unallocated balances from the previously approved additional funds for capital schemes allocated to City's Cash and the City Fund, and seeking approval for specific allocations concerning the Barbican Area Strategy and City WiFi provision.

It was noted that the non-public appendices circulated at Item 12 on the agenda were to be read in conjunction with this item.

It was further noted that the Policy & Resources Committee had endorsed the proposals at its meeting earlier that day.

RESOLVED: That Members agree the following allocations:

- £0.62m to fund the City Wi-Fi scheme from the 2014/15 provisions (£0.31m City Fund and £0.31m City's Cash).
- £0.204m to fund the costs arising from the widened scope of the Barbican Area Strategy Review from the 2014/15 City Fund provision.

5. DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY POWERS

The Sub-Committee received a report of the Town Clerk that advised Members of action taken by the Town Clerk in consultation with the Chairman and Deputy Chairman since the last meeting, in accordance with Standing Order Nos. 41(a) and 41(b).

The Town Clerk advised Members that the approval concerning the Aldgate Highway Changes and Public Realm Improvement Project had been made subject to officers reporting back should there be any doubt as to the securing of section 106 monies.

RESOLVED: That the action taken since the last meeting of the Sub-Committee be noted.

6. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE

There were none.

7. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

8. EXCLUSION OF THE PUBLIC

RESOLVED: That under Section 100a(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

Item No.

9 - 13

Paragraph No.

3

9. NON-PUBLIC MINUTES

RESOLVED: That the non-public minutes of the Sub-Committee meeting held on 8 May 2014 be agreed.

10. NOTES OF INFORMAL MEETINGS

RESOLVED: That the notes of the informal of meeting of the Sub-Committee held on 27 and 28 June 2014 be agreed.

11. **MUSEUM OF LONDON MAINTENANCE WORKS**

The Sub-Committee considered a report of the City Surveyor regarding essential maintenance works to the Museum of London building.

12. **PROJECT FUNDING UPDATE - APPENDICES**

The Sub-Committee received the non-public appendices associated with Item No. 4, which had been considered in conjunction with that item.

13. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY POWERS**

The Sub-Committee received a report of the Town Clerk that advised Members of actions taken by the Town Clerk in consultation with the Chairman and Deputy Chairman since the last meeting, in accordance with Standing Order Nos. 41(a) and 41(b).

RESOLVED: That the action taken since the last meeting of the Sub-Committee be noted.

14. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

There were none.

15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB-COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There were no urgent items.

The meeting ended at 4.05 pm

Chairman

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Committee(s):	Date(s):
Resource Allocation Sub – For Decision	11 December 2014
Policy and Resources - For Decision	11 December 2014
Subject: Project Funding Update	Public
Report of: The Chamberlain	For Decision
Summary	
<p>The Policy and Resources Committee agreed to set aside annual sums of £3m in both the City Fund and City's Cash financial forecasts to provide a degree of flexibility to fund smaller value new capital schemes as they arise. In May, Members agreed to carry forward the unspent balances from 2013/14 to augment the 2014/15 provisions. In addition, it has previously been agreed that £1m from the City Fund provision should be earmarked for essential capital works to the London Wall premises of the Museum of London. This gives total 2014/15 provisions of £2.4m for the City Fund (excluding £1m earmarked for the Museum) and £4m for City's Cash. Decisions about the allocation of funding are generally taken when a scheme reaches Gateway 4a–Inclusion in Capital Programme.</p> <p>The report advises on the current unallocated balances on each of the funds, the potential schemes which may require funding and seeks agreement to allocate a total amount of 0.606m from the 2014/15 City's Cash provision. This comprises £0.397m to meet the additional cost of the Oracle ERP project and £0.209m to progress a market led City Telecommunications solution to wired broadband and the development of a wireless broadband concession. There are no new requests for City Fund allocations at this time.</p> <p>If all the potential City Fund schemes were progressed, a modest balance of £0.256m would remain in 2014/15 to fund any further new schemes identified during the remainder of the year. An unallocated balance of £0.634m is indicated for City's Cash if all potential schemes were to be progressed, including the two requests for which approval is sought.</p> <p>It should be noted that some of the schemes anticipated to require future funding are not classified as essential and/or do not fall within the agreed categories and therefore do not fulfil the qualifying criteria to receive funding. If funding for such schemes were not approved in the future, due to failing the qualifying criteria, the unallocated balances would increase.</p>	
Recommendations	
<p>Members are asked to agree the following allocations from the 2014/15 City's Cash provision:</p> <ul style="list-style-type: none"> • £0.397m to fund the additional cost of the Oracle ERP project • £0.209m to fund the progression of a market led City Telecommunications solution to wired broadband and the development of a wireless broadband concession. 	

Main Report

Background

1. The Project Procedure was implemented in November 2011 and subsequently reviewed in May 2014.
2. The Policy and Resources Committee has agreed to set aside sums of £18m (£3m per annum) over the planning period from 2012/13 to 2017/18 in both the City Fund and City's Cash financial forecasts (£36m in total) to provide a degree of flexibility to fund smaller value new capital schemes as they arise.
3. There are a number of projects which have passed through the early Project Gateways and are working towards the Options Appraisal stages of the Project Procedure. The majority of projects are to be funded either from internal ring-fenced sources such as the Barbican Centre and GSMD Capital Caps, Highways Improvement Reserve and the City Surveyor's Designated Sales Pools or from external sources such as Section 106, other developer contributions or TfL. Therefore only those projects without a dedicated funding stream will generally need funding from the annual provisions.
4. Decisions about the allocation of resources for those projects that require funding from the annual provisions is generally taken when a scheme reaches Gateway 4a – Inclusion in Capital Programme.
5. In June 2012, the Policy and Resources Committee agreed that only projects considered to be **essential** and which fit within the following categories may be approved at Gateways 1-4 of the Project Procedure, until further notice:
 - 1) Health and safety compliance
 - 2) Statutory compliance
 - 3) Fully/substantially reimbursable
 - 4) Spend to save or income generating, generally with a short payback period (as a rule of thumb within 5 years)
6. In exceptional circumstances, other projects considered to be a priority by the Resource Allocation Sub-Committee will be allowed to proceed.
7. It has also been agreed that a process of developing options which distinguish between the critical and more desirable elements of projects should be adopted to assist in allocating limited resources.

Funding from the 2014/15 provisions

8. In May, Members agreed to carry forward the unspent balances from 2013/14 to augment the 2014/15 provisions of £3m. In addition, it has previously been agreed that £1m from the City Fund annual provisions should be earmarked for essential capital works to the London Wall premises of the Museum of London (see footnote). This gives total 2014/15 provisions of £2.4m (i.e. excluding the £1m earmarked for the Museum) for the City Fund and £4m for City's Cash.

Footnote: A minimal scheme for works to the Museum's London Wall premises is currently being progressed at a total cost of £1m, pending a decision on potential reconstruction/relocation.

9. Appendix 1 shows the funds which have been allocated to date and the proposals for which a funding decision is now required, together with a list of the potential schemes (of which we are aware at this stage, excluding Gateway 0) which may require funding from the City Fund and City's Cash provisions for 2014/15 and in future years.
10. There are two proposals requiring a decision on funding from the City's Cash provision in order to progress:
 - Oracle ERP – additional funding of £397,385 The Finance and Projects Sub-Committees have agreed to a revised programme for the delivery of this **essential** project, resulting in an increase of £397,385 in the approved project sum. A copy of the update report is available on request from the Town Clerk's Office.
 - City Telecommunications Strategy – total funding of £209,000 The Projects Sub Committee agreed to progress the option for a market led telecommunications strategy to ensure the high performance fibre and wireless broadband facilities deemed critical to maintaining the City's competitiveness as a global financial centre, which has been categorised as an **essential, high priority** scheme. The cost comprises £79,000 to develop a wireless concession and £130,000 to develop a demand model and undertake a connectivity assessment for a wired broadband service. A copy of the Options appraisal report is available on request from the Town Clerk's Office.
11. There are no new requests for funding from the City Fund provision. However, Appendix 1 indicates that there would be sufficient City Fund resources to meet the funding requirement of all the potential schemes currently identified, leaving a small headroom balance of £0.256m, a position largely unchanged since the last report.
12. For City's Cash, Appendix 1 indicates that, after allowing for the two proposals and other schemes in the pipeline, all of the identified schemes requiring funding could be accommodated, leaving a headroom balance of £0.634m.
13. It should be noted that some of the schemes anticipated to require future funding are not classified as essential and/or do not fall within the agreed categories and therefore do not fulfil the qualifying criteria to receive funding. If funding for such schemes were not approved in the future, due to failing the qualifying criteria, the unallocated balances would increase.

Conclusion

14. All projects currently identified as requiring funding from the 2014/15

provisions for new schemes can be accommodated. At this stage, approval is recommended for allocations from the City's Cash provision for funding to meet the additional cost of the Oracle ERP project (£0.397m) and to progress the City Telecommunications strategy for the provision of wired and wireless broadband access in the City (£0.209m).

Appendices

- Appendix 1 – Projects which may seek funding from 2014/15 and subsequent years' City Fund and City's Cash provisions for new schemes (Non-Public)

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Committee(s):	Date(s):
Finance Committee (For Information) Resource Allocation Sub-Committee (For Information)	9 December 2014 11 December 2014
Subject: Financing of Capital and Supplementary Revenue Projects	Public
Report of: Chamberlain	For Information

Summary

This report indicates the scale of the City's programme of Capital and Supplementary Revenue Project (SRP) expenditure over the current planning period from 2014/15 to 2018/19 and the funding challenges this entails. These figures are being incorporated into the initial update of the medium term financial forecasts to inform the 2015/16 budget process.

The key points are:

- The updated forecasts of Capital and SRP expenditure over the planning period total £648m. They include provisions to fund some major schemes including the Police Accommodation programme, major works at the Central Criminal Court, safety works to the Hampstead Heath ponds, highways improvements and contributions to Crossrail.
- The City Fund capital programme is funded from a combination of external contributions, revenue reserves and proceeds from asset disposals. With regard to the latter, forecasts assume receipts totalling £278m of which £182m had been received. The £96m balance of outstanding receipts is to be realised through various property disposal programmes and represents a potential funding risk, which is being monitored in close consultation with the City Surveyor.
- To help mitigate against the risk of current and future City Fund capital funding shortfalls, some £27m of revenue cash balances previously earmarked for property investment continues to be set aside to avoid the need to sell high yielding investment property to the detriment of revenue income.
- With regard to City's Cash, the forecasts indicate that there are sufficient resources within the fund (including asset disposals where necessary) to meet the cost of the Capital and SRP programmes.
- The financial health of the Bridge House Estate Trust remains bouyant, with modest Capital and SRP programmes currently in place.

Recommendations

Members are asked to note the contents of this report.

Main Report

Background

1. Five year programmes of Capital and SRP schemes are maintained for financial planning purposes which inform the preparation of the medium term financial forecasts for each of the three main funds. The forecasts include prudent provision for the latest estimated costs of schemes approved via the Corporate Project Procedure, property acquisitions and other significant schemes in the pipeline.
2. Chief officers provide regular reports (via the Town Clerk's 'Project Vision' system) on the progress of individual schemes against milestones.
3. Capital expenditure generally results in an increase in asset values and typically relates to acquisitions and enhancements, whereas supplementary revenue projects are one-off items which do not fulfil the capital criteria e.g. feasibility and option appraisal costs, major cyclical repairs and maintenance.
4. The capital controls which apply only to the City Fund restrict the use of capital reserves (derived from the sale of assets) solely to the financing of capital expenditure or repayment of debt. In this context, grants to third parties for capital purposes, such as the City Fund contribution to the Crossrail project, would qualify as capital expenditure. (This is contrary to the treatment of City's Cash capital grants to third parties under UKGAAP, which are expensed as supplementary revenue projects).
5. The current City Fund Medium Term Financial Strategy/Budget Policy includes a requirement that "ordinarily capital projects should be financed from capital rather than revenue reserves". However, it will be recalled that Members approved capital investment of up to £176m of City Fund *revenue* reserves in property as a means of increasing revenue income, of which a sum of £27m has been set aside to help mitigate the risk of a shortfall in the amount of capital receipts required to finance the capital programme. This is to avoid the need to sell high yielding investment property to the detriment of revenue income.
6. The Court of Common Council has delegated to the Chamberlain authority to determine the methods of financing capital and supplementary revenue project expenditures. In making such decisions consideration is taken of the strategic and tactical interests of the three funds.
7. This report provides details of the latest Capital and SRP programmes over the current planning period from 2014/15 to 2018/19 and the impact on the finances of the three funds.

Current Position

8. The latest estimated Capital and SRP expenditure over the planning period from 2014/15 to 2018/19 amounts to £648m. A summary analysed by fund, together with sources of financing, is shown below:

Table 1: Forecast Capital and SRP Expenditure and Financing 2014/15 to 2018/19

	City Fund £m	City's Cash £m	Bridge House Estates £m	Total £m
Forecast expenditure:				
Capital				
-Crossrail	200	-	-	200
-Investment	16	16	67	99
-Operational	208	71	1	280
Supplementary Revenue Projects				
-Crossrail	-	54	-	54
-Investment	-	2	1	3
-Operational	9	2	1	12
	433	145	70	648
Financed by:				
External Contributions	87	3	0	90
Internal Funds	*346	142	70	558
	433	145	70	648

* this includes capital receipts of £278m of which £96m has yet to be received, posing a potential risk of shortfall

9. Further analysis of the forecast expenditure and the anticipated sources of finance for each fund are provided in Appendix 1.
10. These figures are based on profiles of estimated capital and SRP expenditure provided by Chief Officers over the summer and are being used in the preparation of the *initial* drafts of the medium term financial forecasts. A further review by Chief Officers is currently underway which will be incorporated into the *final* versions of the financial forecasts, to inform the basis of the 2015/16 budgets for each fund.
11. The introduction of additional schemes into the programme is generally restricted by the priority of the scheme and the availability of funding, with most new schemes being financed externally or met from existing earmarked/ring-fenced funds. Otherwise, funding for new projects is generally contained within the annual provisions for new schemes (£3m per annum each for City Fund and City's Cash), subject to the approval of the Resource Allocation Sub Committee. However, a number of additional provisions totalling £77m (£7.1m City Fund and 69.9m City's Cash, of which £11.6m will be repaid) have been included within the figures in Table 1 as follows:

- as part of the Service Based Review, it has been agreed that additional City Fund resources of £2.1m will be made available for Barbican Centre capital investment in order to deliver an on-going increase in revenue income;
- a one year extension to the Barbican (City Fund) and Guildhall School (City's Cash) Capital Cap arrangements (£2m and £1.8m respectively in 2016/17, subject to separate approval);
- a loan from City's Cash to the Freemen's School of £11.6m to be repaid over a 5 year period commencing in 2017/18;
- a contribution of £3.5m of match funding for the Crossrail Art Foundation together with a possible contribution to Crossrail of up to £50m, both funded from City's Cash (in addition to the £200m from City Fund); and
- additional provisions in 2018/19 of £3m each for City Fund and City's Cash (i.e. £6m in total) to allow flexibility for new capital investment.

Management of Risk Factors

12. Clearly such significant project expenditures present a material risk to the financial health of the funds. In addition there is a legal requirement for the City Fund to comply with the Prudential Code¹ when planning capital investment to ensure that capital expenditure is affordable, sustainable and prudent.

City Fund

13. The main risks centre around the affordability of the City Fund capital programme, particularly the achievability of capital receipts. The estimated internal funds of £341m required to finance capital expenditure (see Appendix 1) comprises £278m assumed from capital receipts and £63m from revenue - mainly comprising the on-street parking reserve applied to highways improvements and the Crossrail revenue reserve which includes interim rental and interest income from the Crossrail Estate.
14. The various disposal programmes from which the £278m of capital receipts are expected to be derived is analysed as follows:

¹ The Prudential Code is a professional code of practice developed by the Chartered Institute of Public Finance and Accountancy to support capital investment decisions. Local authorities are legally required to have regard to it under the Local Government Act 2003.

Table 2: Anticipated Capital Receipts from City Fund Asset Disposals

	Total Anticipated Receipts £m	Received to Date £m	Unrealised Disposal Proceeds £m
Planned Disposals:			
Balance in hand 31 March 2014	35	35	0
Strategic Investment Property	44	42	2
Operational Property	41	7	34
Total Planned	120	84	36
Asset Realisation Programme:			
Balance in hand 31 March 2014	14	14	0
Surplus Operational Property	20	0	20
Total Asset Realisation	34	14	20
Crossrail Property Disposals:			
Balance in hand 31 March 2014	23	23	0
Crossrail Disposals	62	40	22
Realisation of short term re-investment of Crossrail receipts	39	21	18
Total Crossrail	124	84	40
Total Receipts Required to 2018/19	278	182	96

The main points to note from table 2 are set out below:

- At the beginning of the planning period we held a total of £73m in capital reserves, generated by prior year disposals of strategic investment property and operational property (£35m), Crossrail property (£23m) and £14m achieved through the asset realisation programme. (HRA receipts are excluded as they are ring-fenced under statute for new dwellings). During 2014/15, a number of anticipated receipts have been realised by the City Surveyor which has mitigated our funding risk.
- Significant planned Investment Property receipts amounting to £42m have been received during the year, mainly derived from two high profile redevelopment sites. Receipts from a further redevelopment site will cover the balance of £2m required within the planning period.

- Operational property disposals, including the sale of surplus Police properties and Barbican Flats are expected to realise a further £41m, of which £7m has been received. Proceeds from the sale of surplus police properties will provide partial funding for the costs of the new Police Accommodation.
 - The Asset Realisation Programme aims to maximise returns whilst minimising any ongoing loss of revenue. With this in mind, priority has been given to the identification and disposal of surplus operational property. A sum of £34m is anticipated within the planning period, of which £14m has been received to date. Some uncertainty remains over the achievability of the remaining £20m which is being monitored through a dedicated officer group, whose remit is being extended through the operational property workstream of the service based reviews.
 - The funding of the £200m City Fund Crossrail commitment is dependent on capital receipts estimated at £124m from the Crossrail estate of which £84m had been received, leaving £40m yet to be realised.
 - Of this £124m required, £39m relates to sums received which have been earmarked for re-investment in property, in accordance with Treasury Management decision to improve revenue returns. A separate report on the Crossrail commitments is due in the new calendar year which will include details of the properties for disposal, which are being selected to minimise the loss of rental income. The balance of the £200m commitment is to be met from interim rental and interest income generated by the Crossrail Estate (£23m) and other funds earmarked from planned disposals which have been largely realised (£53m).
15. Another risk factor particularly associated with the City Fund relates to the certainty and timeliness of the significant external contributions upon which some schemes are predicated. Accordingly, safeguards are in place to ensure that commitments are not entered into unless the receipt of external funds is assured.
16. Looking ahead beyond the planning period, significant expenditure to complete the major works at the Central Criminal Court and further investment in the City Fund Strategic Investment Property Estate is planned, with capital expenditure forecasts indicating a future capital financing shortfall. The Operational Property Review aims to rationalise the operational property estate and identify further surplus assets, resulting in capital receipts to fund our future capital programmes.
17. Pending this review, a sum of £27m of revenue reserves earmarked for property investment is being retained to meet shortfalls in funding of the capital programme.

City's Cash

18. A significant reduction in the required level of capital investment in the Strategic Property Estate, achieved through a revised strategy agreed by the Property Investment Board, together with reprofiling of project expenditure, has minimised the need for a further asset realisation programme for City's

Cash. Revenue savings and disposal proceeds arising from the Operational Property Review may provide resources towards the funding of capital and supplementary revenue projects, with any shortfall to be met from the liquidation of investments (financial or property).

Bridge House Estates

19. The financial health of the Bridge House Estates Trust remains buoyant, with modest capital and SRP programmes currently in place.
20. In addition, further investment is included in the capital programme to improve the long term resilience of both City's Cash and Bridge House Estates, financed from the receipts generated by the recent investment property sales to the City Fund.

Conclusion

21. Significant capital and supplementary revenue project expenditure amounting to some £648m is currently forecast, to be funded from various sources as described in this report. The main area of risk relates to the affordability of the City Fund Capital Programme, which is particularly dependent on the achievement of operational property sales, the Crossrail funding strategy and the asset realisation programme. To provide some mitigation against this risk, a sum of £27m has been prudently set aside from City Fund revenue resources to fund unforeseen shortfalls in capital reserves and/or to finance future funding deficits beyond the planning period.
22. Controls are in place to generally restrict the amount of new capital investment. Nevertheless, additional (mostly exceptional) items totalling £77m (£65.4m net after repayment) have been built into the programmes in respect of the items listed in paragraph 11.
23. The current medium term financial forecast for City's Cash indicates that there are sufficient resources within the fund to meet the cost of the programme, involving the disposal of property and possibly financial investments an immediate need for further asset realisation, and the long term resilience of the fund is to be improved by strategic property reinvestment and rationalisation of the operational property estate.
24. The financial health of the Bridge House Estates Trust remains buoyant.

Appendices

Appendix 1: Capital and Supplementary Revenue Expenditure Forecasts and Financing

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City Fund Capital Expenditure Forecast and Financing

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Forecast Expenditure						
Approved Schemes	48.7	226.6	8.6	5.5	3.8	293.2
Indicative Cost of schemes awaiting approval/in the pipeline	18.0	46.4	28.0	18.3	19.9	130.6
Total Forecast Expenditure	66.7	273.0	36.6	23.8	23.7	423.8
Funded by:						
Revenue Reserves:						
External Grants & contributions	29.8	32.6	12.1	6.0	2.7	83.2
Earmarked Reserves	11.8	18.1	4.0	0.4	0.1	34.4
General Revenue Reserve	2.9	1.9	-	-	-	4.8
Crossrail Reserve - revenue	-	23.0	-	-	-	23.0
sub-total revenue reserves	44.5	75.6	16.1	6.4	2.8	145.4
Capital Reserves:						
Crossrail Reserve - capital	-	124.0	-	-	-	124.0
Capital Receipts - Strategic and Other	22.2	73.4	20.5	17.4	20.9	154.4
sub-total capital reserves	22.2	197.4	20.5	17.4	20.9	278.4
Total Funding	66.7	273.0	36.6	23.8	23.7	423.8

City Fund Supplementary Revenue Expenditure Forecast and Financing

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Forecast Expenditure						
Approved Schemes	6.6	2.0	0.1	0.1	-	8.8
Indicative Cost of schemes awaiting approval	0.4	0.2	-	-	-	0.6
Total Forecast Expenditure	7.0	2.2	0.1	0.1	-	9.4
Funded by:						
External Grants & contributions	3.3	0.8	0.1	0.1	-	4.3
Earmarked Reserves	0.5	0.1	-	-	-	0.6
General Revenue Reserve	3.2	1.3	-	-	-	4.5
Total Funding	7.0	2.2	0.1	0.1	-	9.4

Separate tables for City Fund Capital and Supplementary Revenue Forecasts have been provided in order to demonstrate the capital funding requirement.

City's Cash Capital & Supplementary Revenue Expenditure Forecast and Financing

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Forecast Expenditure						
Approved Schemes	26.2	14.5	2.7	-	-	43.4
Indicative Cost of schemes awaiting approval/in the pipeline	9.3	16.8	19.5	3.0	53.0	101.6
Total Forecast Expenditure	35.5	31.3	22.2	3.0	53.0	145.0
Funded by:						
External Grants & contributions	2.9	0.4	-	-	-	3.3
Contributions from other funds	-	-	-	-	-	0.0
Designated Sales Pool	8.2	-	-	-	-	8.2
Other Earmarked Funds	3.3	1.7	2.1	-	-	7.1
City's Cash General Reserve	21.1	29.2	20.1	3.0	53.0	126.4
Total Funding	35.5	31.3	22.2	3.0	53.0	145.0

Bridge House Estates Capital & Supplementary Revenue Expenditure Forecast and Financing

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Forecast Expenditure						
Approved Schemes	22.5	0.5	-	-	-	23.0
Indicative Cost of schemes awaiting approval/in the pipeline	16.9	20.5	3.8	5.8	-	47.0
Total Forecast Expenditure	39.4	21.0	3.8	5.8	-	70.0
Funded by:						
External Grants & contributions	-	-	-	-	-	-
Designated Sales Pool	37.2	10.4	1.5	-	-	49.1
Other Designated Funds	1.1	10.4	2.3	5.8	-	19.6
BHE General Reserve	1.1	0.2	-	-	-	1.3
Total Funding	39.4	21.0	3.8	5.8	-	70.0

Capital and Supplementary Revenue forecasts have been combined for City's Cash and Bridge House Estates as, unlike the City Fund, the financing is not restricted by the nature of the project.

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