

<b>Committee(s):</b>	<b>Date(s):</b>
Resource Allocation Sub Policy and Resources Committee	13 December 2018 13 December 2018
<b>Subject:</b> Project Funding Update	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Caroline Al-Beyerty, Chamberlain's Department	

### Summary

This report requests the allocation of central funding to allow projects to be progressed and provides an update on the balances available in the 2018/19 provisions for new schemes.

#### Funding Bids

There are two formal requests for project funding of up to £1.899m in total. Corporate Priorities Board, the officer group created to provide a more holistic approach to project finance, proposes that up to £1.444m be drawn from the On-Street Parking Reserve and up to £455k from the social and community CIL pot. A summary of these bids is set out below:

<b><u>Table 1: Project bids and Source of Funding</u></b>	City Fund £m
<u>CIL Pots</u>	
City Mental Health Centre – up to £455k from the social and community CIL pot, of which £70k to be released to reach the next gateway	0.455
<b>Total funding from CIL Pots</b>	<b>0.455</b>
<u>On-Street Parking Reserve</u>	
City Wayfinding Signage - Funding in lieu of TfL grant to allow delivery of the scheme within a three year period	1.444
<b>Total funding from On-Street Parking Reserve</b>	<b>1.444</b>
<b>Total Current Bids for funding</b>	<b>1.899</b>

#### Provisions for new schemes

The last project funding update advised of potential shortfalls in the 2018/19 provisions for new schemes due to significant costs of unfunded impending projects, such as match finance towards the cost of artificial football pitches at Wanstead Flats and cleaning and a lighting upgrade to Mansion House. The latest position (detailed in the Appendix) now indicates a positive balance of unallocated funds remaining at year end due to a number of projects being deferred (including the Wanstead Flats artificial grass pitches, Guildhall West Wing mezzanine improvements and Guildhall sub-metering project); however this may in turn give rise to a shortfall in 2019/20. The position will be kept under review and once proposals have been more firmly

quantified and appropriately prioritised, options to address any shortfalls that materialise against future provisions will need to be considered in the context of strategic priorities and availability of funding.

It should also be noted that there are a number of emerging unfunded projects amounting to significant sums beyond the scope of the provisions for new schemes. Funding will be considered as part of the medium-term financial planning process to be reported in January.

### **Recommendations**

It is recommended that Members:

- i. Agree the allocation of the following funds to allow two projects to progress:
  - up to £1.444k from the On-Street Parking Reserve towards the cost of installing new City wayfinding signage; and
  - up to £455k from the social and community CIL pot to fund adaptation and renovation costs to provide a new City Mental Health Centre.
- ii. Note the potential shortfall in the 2019/20 provisions for new schemes due to the deferral of unfunded projects from the current year. The situation will be kept under review and further reported when proposals have been more firmly quantified.
- iii. Note that there are emerging unfunded projects amounting to significant sums beyond the scope of the provisions for new schemes. Funding will be considered as part of the medium-term financial planning process to be reported in January.

### **Main Report**

#### **Background**

1. The Policy and Resources Committee have previously agreed to set aside sums of £24m (£3m per annum) over the period from 2012/13 to 2019/20 in both the City Fund and City's Cash financial forecasts (£48m in total) to provide a degree of flexibility to fund smaller value new capital schemes as they arise.
2. In June 2012, the Policy and Resources Committee agreed only projects that are considered 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)

In addition, under exceptional circumstances, other projects considered to be a priority by the Resource Allocation Sub-Committee will be allowed to proceed.

In December 2017, the Policy and Resources Committee agreed the addition of a further eligible essential category:

- 7c) Major renewals of income generating assets.

3. The majority of projects working their way through the early gateways are generally funded either from internal existing local risk budgets and ring-fenced sources such as the City Surveyor's Designated Sales Pools or from external sources such as Section 106 deposits and Government/Transport for London grants which are restricted for specific purposes.
4. Decisions about the allocation of resources for projects that do not have access to these sources of funding are generally taken when a scheme reaches Gateway 4a – Inclusion in Capital Programme, although requests for central resources at earlier gateways are also arising on a more frequent basis. To help Members to prioritise the allocation of City resources to projects from the range of available funding sources, the Corporate Priorities Board was created to provide a more holistic approach to the allocation of project finance, by considering bids for funding from a range of available (less constrained) sources, including in particular receipts from the City's Community Infrastructure Levy (CIL).

### **Requests for Funding**

5. There are 2 new requests for funding of up to £1.899m and the Corporate Priorities Board has identified the On-Street Parking Surplus and the social and community CIL pot as the most appropriate sources of funding.
6. On Street Parking Reserve

Approval is sought to the allocation of up to £1.444m from the existing provisions (within the current OSPR forecast) to allow the **City Signage project** to be progressed.

- Members have previously agreed to adopt the Legible London system of wayfinding signage. The total cost of the scheme is £2.584m, agreed under Chief Officer delegated authority at Gateway 5.
- The original funding strategy was to finance the total cost from TfL grant. However, the latest forecast indicates a £1.444m shortfall in TfL funding likely to be available within the three- year planned project delivery period.
- Therefore, in order to deliver the project within this timeframe, funding of £1.444m from the On- Street Parking Reserve is now proposed.
- The latest forecast of the On- Street Parking Reserve makes allowance for this expenditure. Should additional funding from TfL or other external sources become available during the course of the project, the contribution from the On- Street Parking Reserve will be reduced.

7. Community Infrastructure Levy

Approval is sought to the allocation of up to £455k from the social and community CIL pot to finance a new **Mental Health Centre** to provide City workers with subsidised treatment not offered through the NHS. Two adjoining HRA premises in Middlesex Street have been identified for renovation and adaptation for this purpose at an estimated cost of up to £455k, of which £70k is required for surveys and consultancy to reach the next gateway. An external provider will be engaged to establish and operate the centre on a rent-free basis for the first three years, with recompense to the HRA for their loss of rent to be met by the City through a successful bid for funding from the Priorities

Investment Pot.

8. 2018/19 Provisions for New Schemes - Update

The provisions set aside to fund new schemes in 2018/19 amount to £3.833m for City Fund (£3m plus £833k of 2017/18 underspends brought forward) and £6.214m for City's Cash (£3m plus £3.214m of 2017/18 underspends brought forward). The latest position is shown below:

<b>Table 2: 2018/19 Annual Provisions for New Schemes – Summary Position</b>	<b>City Fund £m</b>	<b>City's Cash £m</b>
2018/19 provisions	3.833	6.214
Allocations previously agreed	(1.135)	(2.780)*
<b>Unallocated balance remaining</b>	<b>2.698</b>	<b>3.434</b>

\* includes £64k for repairs to flood defences approved under urgency procedures in October 2018

9. This shows there is currently an unallocated balance of £2.698m remaining for City Fund and £3.434m for City's Cash. Details of other potential requests for unfunded schemes in the pipeline are provided in the Appendix.
10. The last project funding update advised of potential funding shortfalls in the 2018/19 provisions for new schemes due to the impact of these impending schemes. The latest forecast indicates a positive balance of unallocated 2018/19 provisions remaining at year end due to a number of projects being deferred, including the Wanstead Flats artificial grass pitches, Guildhall West Wing mezzanine improvements and the Guildhall sub-metering project. However, this in turn gives rise to a potential shortfall in 2019/20, particularly for City's Cash. The position will be kept under review and once proposals have been more firmly quantified, options to address any shortfalls that materialise against future provisions will need to be considered in the context of strategic priorities and availability of funding.
11. It should also be noted that there are a number of emerging unfunded projects potentially amounting to significant sums beyond the scope of the provisions for new schemes. Funding will be considered as part of the medium term financial planning process to be reported in January.

### **Conclusion**

12. Two formal requests for project funding totalling £1.899m are recommended for approval.
- An allocation from the On-Street Parking Reserve of up to £1.444m from the On-Street Parking Reserve in lieu of the originally intended TfL funding to allow the City Signage project to be delivered within a three year timeframe.

- Social and Community CIL pot funding of up to £455k for a new Mental Health Centre to provide City workers with subsidised treatment not offered through the NHS.

13. The latest update of the forecast position for the 2018/19 provisions for new schemes indicates unallocated balances remaining at the year-end. However, this may in turn give rise to potential shortfalls in the 2019/20 provisions for new schemes due to the deferral of a number of unfunded schemes from 2018/19.
14. Funding for other emerging projects which are beyond the scope of the provisions for new schemes will be considered as part of the medium-term financial planning process to be reported in January.

**Appendix:** Project Funding from the 2018/19 and Future Years' Provisions for New Schemes

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