

Committee(s): Resource Allocation Sub Committee Policy and Resources	Date(s): 19 March 2020 19 March 2020
Subject: Capital Funding Update	Public
Report of: The Chamberlain	For Decision
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Summary

This report follows on from previous papers on capital prioritisation and the 2020/21 round of annual capital bids.

The first round of annual capital bids gave 'in principle' funding approval to 46 bids with a total value of £89m, together with 'in principle' internal loan funding of £47.7m. A schedule of the successful bids is included at Appendix 1 for information. This report proposes the release of £4.449m to fund progression of 10 of the successful bid schemes as summarised in Table 1 below:

Table 1: Project Funding Requests		Next Gateway	City Fund	City's Cash	Bridge House Estates	Total
			£000	£000	£000	£000
2020/21 New Bids						
To progress to the next gateway:						
(i)	Central Criminal Court Mezzanine Heating	G. 3/4	81.0	-	-	81.0
(ii)	Guildhall PAVA and central locking system	G. 3/4	73.2	38.9	5.9	118.0
(iii)	Energy Efficiency Phase 2 Property Management System	G. 3/4	19.2	31.2	-	50.4
(iv)	Replacement Barbican Podium Waterproofing Phase 2	G. 3/4	-	75.0	-	75.0
(v)	(1st Priority)	G. 4 (c)	1,516.6	-	-	1,516.6
(vi)	Secure City Stage A and B (Year 1)	G. 4 (c)	822.3	-	-	822.3
Full Funding for Scheme Implementation:						
(vii)	West Ham Park Playground Refurbishment	G. 5	-	862.9	-	862.9
(viii)	Culture Mile Look and Feel Phase 4	G. 6 (Phase 5)	580.0	-	-	580.0
(ix)	City of London Primary Academy Islington (COLPAI) Temporary Site	Outside Gateways	-	300.0	-	300.0
(x)	Barbican Turret Disposal Costs	Outside Gateways	43.0	-	-	43.0
Total Current Funding Requests			3,135.3	1,308.0	5.9	4,449.2

The annual capital bid process has been an effective way of directing central funding towards the highest priority schemes. However, as with every new process, there is always room for reflection and refinement and in the light of the first year outcomes we are in the course of review, with a focus on optimising the process of analysis and evaluation. Following the conclusion of this officer review, we will bring back any proposed changes to the existing process for Member consideration.

Recommendations

Members are requested -

- To agree the allocation of central funding of up to £4.449m to allow schemes (i) to (x) as set out in Table 1 (and detailed in paragraph 6 below) to progress, subject to the requisite gateway and other approvals.
- To note the full schedule of 2020/21 successful capital bids provided in Appendix 1 - comprising 'in principle' funding amounting to £89m together with 'in principle' internal loan funding of £47.7m.
- To note that a review of the annual capital bid process is under review and that any changes proposed will be brought back to Members for consideration.

Main Report

Background

1. As part of the fundamental review, Members have agreed the necessity for effective prioritisation of capital and SRP projects, with central funding allocated in a measured way. This has been achieved via the new annual capital bid process which applies prioritisation criteria to ensure that corporate objectives are met and schemes are affordable.
2. The following criteria against which capital and supplementary revenue projects are assessed have been agreed as:
 - i. Must be an essential scheme (Health and Safety or Statutory Compliance, Fully/substantially reimbursable, Major Renewal of Income Generating Asset, Spend to Save with a payback period < 5 years.)
 - ii. Must address a risk on the Corporate Risk register; or the following items that would otherwise be escalated to the corporate risk register:
 - a. Replacement of critical end of life components for core services;
 - b. Schemes required to deliver high priority policies; and
 - c. Schemes with a high reputational impact
 - iii. Must have a sound business case clearly demonstrating the negative impact of the scheme not going ahead, i.e. penalty costs or loss of income, where these are material.

These criteria were used as the basis for prioritising the 2020/21 annual capital bid submissions.

3. The scope of schemes subject to this prioritisation relates only to those funded from central sources, which include the On-Street Parking Reserve, Community Infrastructure Levy (CIL), flexible external contributions and allocations from the

general reserves of City Fund, City's Cash or Bridge House Estates*. This means that projects funded from most ring-fenced funds, such as the Housing Revenue Account, Designated Sales Pools and Cyclical Works Programmes are excluded, together with schemes wholly funded from external grants, and tenant/ developer contributions e.g. under S278 agreements and most S106 deposits.

*Contributions from Bridge House Estates are limited to its share of corporate schemes such as works to the Guildhall Complex or corporate IT systems.

Current Position

Approved 2020/21 Annual Capital Bids

4. The first year of the new annual capital bid process gave 'in principle' funding approval to 46 bids with a total value of £89m across the three main funds, together with 'in principle' internal loan funding of £47.7m, as summarised in Table 2 below. A detailed schedule of the successful bids is included at Appendix 1 for information.

Table 2: Summary of approved 2020/21 annual capital bids (all years)	New Bids £m	Loan Facilities £m	Total Central Funding £m
City Fund	69.5	37.1	106.6
City's Cash	18.6	10.6	29.2
Bridge House Estates	0.9	0.0	0.9
	89.0	47.7	136.7

5. Provisions have been included in the latest updates of the medium term financial plans to demonstrate affordability – these were used as the basis for the 2020/21 budgets agreed by the Finance Committee and Court of Common Council.

Current Requests for Release of Funding

6. There are 10 schemes arising from the 2020/21 round of new bids for which the release of funding of up to £4.449m is now requested. Some of this funding is to enable option appraisals and detailed design to be undertaken in preparation for authority to start work and the remainder relates to schemes that now require confirmation of full funding for implementation. Table 1 above gives a summary of these funding requests with individual details provided below:
 - i. Central Criminal Court Ground Mezzanine Heating System - funding of up to £81k now requested to reach the next gateway
 - o This scheme is for the replacement of obsolete M&E services on the Ground Mezzanine floor, including Sheriffs' apartments, Magistrates' room and Head of Operations office, and includes the cost of temporary living arrangements for the Sheriffs and Consorts.

- The 'in principal' funding approval was based on the need to replace the critical end of life heating system, with a total estimated cost of up to £1.15m including risk.
 - The request to draw down funds of £81k will allow the scheme to progress through to the next gateway (detailed option appraisal) and includes surveys, consultant and internal staff costs.
 - Funding will be met from the provision set aside from City Fund reserves for this 2020/21 annual bid. Release of funding will also be subject to approval of the Gateway 2 report by the relevant committees.
- ii. Public Address and Voice Alarm (PAVA) system and Door Lock Upgrade - funding of up to £118k now requested to reach the next gateway
- This scheme proposes the installation of a PAVA system within the Guildhall complex and upgrade work to the access doors of North and West Wings, Guildhall Art Gallery and City Information Centre that allows for immediate locking.
 - This project will allow the buildings to be locked down at the press of a button and permit communication with occupants in the event of a terrorist attack or natural disaster. It will make the buildings compliant with industry guidance on how to deal with a terrorist threat through effective contingency planning.
 - The 'in principal' funding approval was based on the essential health and safety nature of this scheme, which has a total estimated cost of up to £1.5m.
 - The request to draw down funds of £118k includes £88k to implement the lockdown facility straight away and £30k in consultant and survey costs to progress the PAVA system to the next gateway.
 - Funding will be drawn from the provisions set aside for this 2020/21 annual bid, shared across the funds to reflect the usage of the buildings.
- iii. Energy Reduction Programme Phase 1 - funding of up to £50.4k now requested to reach the next gateway (including a costed risk provision of £10.1k delegated to Chief Officer)
- This programme comprises 8 energy efficiency schemes at various locations across the operational portfolio including car parks, Central Criminal Court, London Metropolitan Archives, the Guildhall complex and Guildhall School.
 - The 'in principal' funding approval was based on 'spend to save' with payback within a five-year period. Annual savings of £263k are currently anticipated against the latest estimated cost of up to £1,317k (including risk), which indicates the scheme is on track to achieve the payback.
 - The request to draw down funds of £40,250 will allow surveys and technical verification and outline design to be completed in order to progress through to the next gateway (detailed option appraisal). Provision of funding for a costed risk provision of £10,100 is also requested.
 - Funding will be met from the provisions set aside for the 2020/21 approved capital bids in accordance with the ownership of the buildings. Release of funding will also be subject to approval of the gateway 2 report by the relevant committees.

- iv. Oracle Property Manager Replacement - funding of up to £75k now requested to reach the next gateway (including a costed risk provision of £25k)
- This scheme is to replace the existing Oracle property management system, which will be out of full support from December 2021, with a new fit for purpose system to manage the City's property portfolio .
 - The 'in principal' funding approval was based on the need to replace this critical end of life system, which has a total estimated cost of up to £1.5m including risk.
 - The request to draw down funds of £50k includes project management, consultant and procurement advice to allow the scheme to progress through to the next gateway (detailed option appraisal). Provision of funding for a costed risk provision of £25k is also requested.
 - Funding will be drawn from the provisions set aside for this 2020/21 annual bid across the three main funds, with costs apportioned to reflect the system usage. Release of funding will also be subject to approval of the Gateway 2 report by the relevant committees.
- v. Barbican Podium Waterproofing, Drainage and Landscaping Works Phase 2 (1st Priority zone) – funding of up to £1,513.6k now requested to reach the next gateway (including a costed risk provision of £120k delegated to Chief Officer)
- This scheme proposes surface refurbishment, replacement of waterproofing membrane and landscaping works to the Ben Jonson, Breton and Cromwell Highwalk areas of the Barbican Podium. These areas identified as 1st priority are located over the Exhibition Halls and the Beech Street covered roadway.
 - The 'in principal' funding approval was based on the essential health and safety nature of this scheme, which has a total estimated cost of up to £12.62m (including risk). Failure to progress the top priority zone will impede progression of other works to these areas.
 - The request to draw down funds of up to £1,393.6k (subject to procurement) will allow the appointment of a lead design and multidisciplinary team to progress the detailed design and the completion of surveys, together with the engagement of a communications consultant plus internal staff costs to monitor and support these activities. The actual drawdown required will be confirmed following the procurement exercise. Funding for a costed risk provision of £120,000 is also requested.
 - Funding will be met from the provisions set aside for the 2020/21 approved capital bid through a combination of the On-Street Parking Reserve and capital reserves of City Fund as appropriate.
 - A funding eligibility assessment to inform the final funding strategy for the full costs of delivery will be undertaken for approval at Gateway 4 (c).
- vi. Secure City Programme Stage A and B – funding of up to £822.3k now requested for year 1 programme team costs
- This scheme comprises 9 individual workstreams which aim to stabilise the 'Ring of Steel' infrastructure, including some enhanced functionality.
 - The 'in principal' funding approval was based on the essential and high profile nature of the project which has a total estimated capital cost of £15.852m plus an uplift in revenue maintenance costs of 2.172m over the first 3 years.

- The request to draw down funds of £822,342 will fund the programme team for the first year and allow the development of detailed design and capital cost options to be reported at Gateway 4(c).
 - Funding to reach the next gateway will be met from the provision set aside from City Fund reserves for this 2020/21 annual bid. Release of funding will also be subject to approval of the Gateway 1-4 report by the relevant committees.
 - Release of funding for the delivery of the scheme will be informed by the cost options and value for money assessments to be undertaken at Gateway 4(c).
- vii. West Ham Park Playground Refurbishment – central funding of up to £862.9k now requested (including a costed risk provision of £163k)
- This scheme is to refurbish the playground at West Ham Park to ensure the equipment and ancillary buildings are fit for purpose and meet current safety and safeguarding standards.
 - The ‘in principal’ funding approval was based on the essential health and safety nature of this scheme
 - The total estimated cost is up to £1.375m including a costed risk provision of £163k. After allowing for other identified sources of funding, including £350k of external contributions, the release of £862.9m of central resources is now requested which is subject to approval of the Gateway 5 report (delegated to Chief Officer)
 - Funding to reach the next gateway will be met from the provision set aside from City’s Cash reserves for this 2020/21 annual bid.
- viii. Culture Mile Look and Feel - funding of up to £580k now requested to implement Phase 4 permanent works
- Phase 4 of the Culture Mile programme involves permanent public realm interventions that will enable visitors to identify Culture Mile, understand that they are within it and how to navigate around it with a view to driving engagement in the Culture Mile area.
 - The ‘in principal’ funding approval was based on the desire to progress this high-profile policy initiative.
 - The request to draw down funds of £580k will allow progression of the 2020/21 phase 4 works.
 - Funding will be met from the provision set aside from City Fund reserves for this 2020/21 annual bid.
- ix. City of London Primary Academy Islington (COLPAI) Temporary Site - funding of up to £300k now requested
- COLPAI is required to leave its present temporary site in July 2020. Various options for an alternative temporary site pending the completion of the permanent building have been explored and the Copenhagen Primary School has been chosen.
 - The ‘in principal’ funding approval was based on the statutory compliance nature of the requirement.
 - The draw down funds of the £300k is required now in order to facilitate the move in time for the September 2020 term.
 - Funding to reach the next gateway will be met from the provision set aside from City Fund reserves for this 2020/21 annual bid.

- x. Barbican Estate Turret development site -funding of up to £43k now requested
- o The Turret area, located on the John Wesley Highwalk of the Barbican Estate, was identified as a vacant space for possible development and resale by the City. Rather than the in-house development previously proposed, it has now been decided to sell the space with planning permission for redevelopment by a third party, which involves further planning and other fees and staff costs.
 - o The 'in principal' funding approval was based on the need to incur these costs to achieve the capital receipt which will accrue to City Fund reserves and the drawdown of funds is now required to expedite this.
 - o Funding will be met from the provision set aside from City Fund reserves for this 2020/21 annual bid.

Annual Bid Process Update

7. The annual capital bid process has been an effective way of directing central funding towards the highest priority schemes. However, as with every new process, there is always room for reflection and refinement and in the light of the first-year outcomes we are in the course of review, with a focus on optimising the process of analysis and evaluation to inform Member funding decisions. Following the conclusion of this officer review, we will bring back any proposed changes to the existing process for Member consideration.

Conclusion

8. The first round of annual capital bids gave in 'in principle' funding approval to 46 bids with a total value of £89m, together with 'in principle' internal loan funding of £47.7m. A schedule of the successful bids is included at Appendix 1 for information.

Release of funding of up to £4.449m is now requested to allow the progression of ten of the schemes with 'in principle' funding approval granted as part of the 2020/21 annual capital bid process.

Following the conclusion of the first annual capital bid process an officer review is underway, with a focus on optimising the process of analysis and evaluation. Any proposed changes to the existing process will be brought back for Member consideration.

Appendices

Appendix 1 – 2020/21 Approved Bids

Background Papers

- Annual Capital Prioritisation Report , 12 December 2019 (Non-Public).
- Prioritisation of Remaining 2020/21 Annual Capital Bids (Deferred from December 2019 Meeting), 23 January 2020 (Non-Public)

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