

<b>Committee(s):</b> Resource Allocation Sub Committee Policy and Resources	<b>Date(s):</b> 7 May 2020 7 May 2020
<b>Subject:</b> Capital Funding Update	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
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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 for 2020/21 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. In March, drawdown of funding of £4.449m to progress 10 schemes was agreed. This report now proposes the release of up to a further £281.2k to allow two schemes to progress to the next gateway (detailed options appraisal):

- i. Guildhall Complex Chiller Plant Replacement – up to £174.2k (including risk allowance)
- ii. Guildhall Steam Plant Replacement - up to £107k (including risk allowance) .

Funding for each of these schemes will be met from the provisions set aside from the reserves of the three main funds for these 2020/21 annual bids, apportioned on an appropriate basis.

In the context of the financial impact of the Covid19 crisis, at the time of writing this report work is underway to identify priority schemes to be progressed during the current crisis, to ensure that funding for only the most essential schemes is committed for the time being.

### Recommendations

Members are requested -

- To agree the allocation of central funding of up to £281.2k to allow 2 schemes to progress to the next gateway:
  - Guildhall Complex Chiller Plant replacement £174.2
  - Guildhall Steam Plant Replacement £107k
- To note that work is underway to identify priority schemes to be progressed during the current crisis to ensure that funding for only the most essential schemes is committed for the time being.

## **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 1 below. A detailed schedule of the successful bids is included at Appendix 1 for information.

<b>Table 1: Summary of approved 2020/21 annual capital bids (all years)</b>	<b>New Bids £m</b>	<b>Loan Facilities £m</b>	<b>Total Central Funding £m</b>
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. Since March, two further schemes arising from the 2020/21 round of new bids have progressed through gateway 2, for which release of central funding of £281.2k is now requested. These are detailed below:

i. Guildhall Complex Chiller Plant Replacement - funding of up to £174.2k (including risk allowance) now requested to reach the next gateway

- This scheme is for the replacement of the chiller plant and cooling towers in the Guildhall Complex which are at the end of their economic life, with some replacement parts no longer available. New regulations coming into force from January 2022 will restrict the use of the refrigerants used by the main chillers.
- The 'in principal' funding approval was based on the need to replace the critical end of life plant in the *West Wing only*, with a total estimated cost of up to £3m including risk. The current proposal is to look at options including for the replacement of chiller plant *across the whole of the Guildhall complex* with a cost of up to £4.324m. Should this expanded option be recommended at the next gateway, the additional funding will be subject to a further request via the annual bid process.
- The request is to draw down funds of £141k to allow the scheme to progress through to the next gateway (detailed option appraisal) and includes surveys, consultant and internal staff costs, plus a costed risk allowance of £33.2k if required.

ii. Guildhall Steam Plant Replacement - funding of up to £107k (including risk allowance) now requested to reach the next gateway

- This scheme proposes the replacement of steam generators which provide humidification to ventilation systems throughout the Guildhall complex.
- Humidification is essential for maintaining environmental conditions within best practice guidelines and insurance requirements for areas such as the Art Gallery, storage areas and Amphitheatre and also maintains comfort conditions in office areas.

- The 'in principle' funding approval was based on the need to replace the critical end of life plant, which has a total estimated cost of up to £1.2m.
- The request is to draw down funds of £85k to allow the scheme to progress through to the next gateway (detailed option appraisal) and includes surveys, consultant and internal staff costs, plus a costed risk allowance of £22k if required.

Funding for each of these schemes will be met from the provision set aside from the reserves of the three main funds for these 2020/21 annual bids, apportioned on an appropriate basis.

### **Impact of the Covid19 crisis on the allocation of central funding**

7. Work to prioritise those schemes to be progressed during the current crisis is underway at the time of writing this report. This is to ensure that only the most essential schemes are progressed for the time being, pending a fuller assessment of the financial impact of the crisis and the potential impact on future affordability of new schemes.

### **Conclusion**

8. A total of £136.7m of central funding was agreed 'in principle' for the delivery of essential schemes as part of the 2020/21 annual capital bid process. Of this sum, the release of up to £4.449m has previously been agreed. Further requests for the release of £281.2k to allow two schemes to progress to the next gateway are now proposed:
  - i. Guildhall Complex Chiller Plant Replacement - £174.2k (including risk allowance)
  - ii. Guildhall Steam Plant Replacement - funding of up to £107k (including risk allowance)

The 'in principle' funding for these schemes was approved on the basis of essential replacement of critical end of life plant.

9. In the context of the financial impact of the Covid19 pandemic, at the time of writing this report work is underway to identify priority schemes to be progressed during the current crisis, to ensure that funding for only the most essential schemes is committed for the time being.

### **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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