

Committee(s): Resource Allocation Sub Committee Policy and Resources	Date(s): 9 July 2020 9 July 2020
Subject: Capital Funding Update including New Bids Outside of the Annual Bid Process	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 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. To date, drawdown of funding of £4.73m to progress twelve schemes has been agreed. This report now proposes the release of up to a further £5.057m to allow four schemes to progress to the next gateways as summarised in Table 1:

Table 1: Project Funding Drawdown Requests re 2020/21 Capital Bids Approved in Principle	Next Gateway	City Fund	City's Cash	Bridge House Estates	Total
		£000	£000	£000	£000
<u>2020/21 New Bids</u>					
<u>Funding to progress to the next gateway</u>					
(i) Barbican Art Gallery Chiller	G 3 / 4	18.0			18.0
<u>Full Funding for Scheme Implementation</u>					
(ii) Secure City Programme (Year 1)	G. 5	3,305.7			3,305.7
(iii) Barbican Exhibition Halls Health and Safety Works	G. 5	1,548.6			1,548.6
(iv) Committee Rooms Audio-Visual Equipment	G. 5	83.3	92.5	9.3	185.0
Requests for Immediate Release of Funding		4,955.6	92.5	9.3	5,057.3

Funding for the four schemes which have previously received 'in principle' approval can be met from the provisions set aside from the reserves of the three main funds. However, in view of the current financial crisis, Members will first wish to consider whether these schemes remain a priority for which funding should be released at this time.

In addition, three new funding bids have been submitted outside of the annual process for 'in principal' allocation of £2.752m from City Fund and City's Cash resources as summarised in Table 2:

Table 2: New Funding Requests Submitted Outside of the Annual Bid Process		Next Gateway	City Fund	City's Cash	Bridge House Estates	Total
			£000	£000	£000	£000
New Bids Outside of the Annual Bid Process						
(i)	Covid19 Transportation Response Phase 3	G. 5	568.5			568.5
(ii)	COLPAI Temporary Accommodation	Outside Gateways		283.1		283.1
New Funding Requested for Immediate Release			568.5	283.1	-	851.6
(iii)	'In principle' approval: Wanstead Flats Artificial Grass Pitches	G.2		1,900.0		1,900.0
Total New Funding Requests Outside of Bid Process			568.5	2,183.1	-	2,751.6

Members will also wish to consider whether these schemes are essential priorities for which additional funding should be allocated at this time. Taking a step back, the Covid-19 transportation response and the top-up funding for the COLPAI temporary accommodation are clearly essential, but there is perhaps more of a question over the essential nature of the artificial football pitches at this particular time.

Should Members wish to support any of the three bids, two funding options have been identified:

1. Request the Finance Committee to recommend to the Court of Common Council an increase in the sums set aside for the 2020/21 annual capital bids by a further (up to) £2.752m, to be allocated from the reserves of the relevant funds.
2. Re-prioritisation of other 'less essential' schemes to make way for the three new bids - effectively deferring selected schemes until next year's bid round.

Option 1 reflects the funding approach of the existing approved bids. However, in the current crisis it is not deemed appropriate to place further pressure on our reserves. An assessment of the financial impact and practical implications of Covid-19 on the 46 new bid schemes is currently in progress as a means of determining which schemes are deemed essential for progression at this time. Therefore, if minded to pursue option 2 above, Members could either nominate schemes for deferral now or await the outcome of this review to agree which schemes should be deferred.

Members will also wish to note that where officers are faced with increased project costs arising from Covid-19, they are being encouraged, in the first instance, to explore the opportunity to de-scope projects with a view to containing costs within the existing funding envelope.

Recommendations

Members are requested -

1. To review the four schemes listed in Table 1 (detailed in paragraph 7) and, in the context of the current crisis, to confirm their continued essential priority for release of funding at this time.
2. That subject to this confirmation, to agree to the release of up to £5.057m for schemes (i) to (vi) from the reserves of the three funds as set out in Table 1, subject to the approval of the relevant gateway reports.

3. To consider the 'in principle' allocation of central funding for the three new schemes submitted outside of the 2020/21 annual bid process (detailed in paragraph 8):
 - (i) Transportation response to Covid-19 Phase 3 – up to £568.5k (City Fund)
 - (ii) COLPAI Temporary Accommodation additional costs £283.1k (City's Cash)
 - (iii) Wanstead Flats Artificial Grass Pitches £1.9m (City's Cash)
4. That subject to 'in principle' approval of bids (i) and (ii) above, to agree to the immediate release of funding of up to £568.5k from the On-Street Parking Reserve (also noting the loss of £336k in potential income) and £283.1k from the City's Cash provision, with funding to be identified from within the approved provisions set aside for the 2020/21 capital bids.
5. To note that an assessment of the financial impact and practical implications of Covid-19 on the 46 approved 2020/21 annual bids is underway to identify schemes for possible deferral, with a view to identifying substitute funding for the new bids.
6. To note that officers are being encouraged, in the first instance, to explore the opportunities to de-scope projects to contain increased costs arising from Covid-19 within the existing funding envelope.

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.

The above 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 in Appendix 1 for information.

Table 3: Summary of approved 2020/21 annual capital bids (across all years)	New Bids	Loan Facilities	Total
	£m	£m	£m
City Fund	69.5	37.1	106.6
City's Cash	18.6	10.6	29.2
Bridge House Estates	0.9	-	0.9
	89.0	47.7	136.7

5. Provisions were included in the medium-term financial plan to demonstrate affordability – used as the basis for the 2020/21 budgets agreed by the Finance Committee and Court of Common Council.
6. To date, drawdown of funding of £4.73m to progress 12 schemes has been agreed. (Details in Appendix 1.)

Proposals

Current Requests for Release of Funding

7. Since May, six further schemes arising from the 2020/21 round of new bids have progressed through the gateways, for which release of £5.057m is now requested. In the first instance, in the context of the current crisis, Members will wish to confirm that these schemes remain a priority for funding to be released at this time. Details of the schemes are provided below:
 - i. Barbican Art Gallery Chiller - £18k (including risk allowance) now requested to reach the next gateway
 - o This scheme is for the replacement of the Barbican Art Gallery chiller plant, necessary to sustain the ongoing viability of the gallery by ensuring that the critical environmental conditions are maintained for the art work exhibits, many of which are valuable and of great artistic significance.
 - o The existing chiller plant no longer provides the required temperature and humidity levels, forcing reliance on the Citigen district network which is an

expensive and inefficient supplement and would leave the art gallery without a viable fallback if this supply was to be interrupted.

- The 'in principal' funding approval was based on the need to replace the critical end of life plant at a total estimated cost of £300k.
- The request is to draw down funds of £14k to undertake a feasibility and options appraisal, plus a costed risk allowance of £4k if required.

ii. Secure City Programme Stage A and B – further funding of up to £404k (including risk allowance) now requested to reach the next gateway plus £2,902k to be released upon granting of authority to start work (Gateway 5) for the nine individual schemes

- This programme comprises nine 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 three years (£4.128m relates to year 1).
- Release of funding of £822k to cover the cost of the programme team for year 1 was agreed in March. The current request comprises further funds of £341k to undertake design work across the various projects, together with a £63k costed risk allowance – all subject to approval of the latest gateway report. Approval to the release of the remaining balance of £2,902k for the delivery of the scheme is also sought, subject to satisfactory cost options, value for money assessments being undertaken and approval of authority to start work at Gateway 5. Note that Projects Sub Committee are monitoring this programme closely, including individual approval of all Gateway 5 reports.
- The 'in principle' funding was approved on the basis of the essential need to provide for the ongoing safety of the City.

(iii) Barbican Exhibition Halls Health and Safety Works - £1,549k (including risk allowance) now requested to implement the scheme

- This scheme seeks to undertake the critical works required to ensure that the health and safety requirements of the exhibition halls are restored.
- The 'in principal' funding approval was based on the urgent need to progress these works to avoid further deterioration and escalation of the health and safety risks.
- The request is to draw down funds of £214k to undertake surveys, design and tender, plus a risk allowance of £123k if required - as requested in the detailed options appraisal. Approval to release the remaining balance of £1,094k to implement the scheme is also sought, subject to the approval of authority to start work by Chief Officer at gateway 5.
- Members will note that the latest estimated cost of these essential works at £1,666k is significantly lower than the previous £5m estimate at the time of the annual bid.

(iv) Committee Rooms Audio Visual Equipment - £185k now requested to implement the scheme

- This scheme is for the design and installation of a high-quality audio-visual solution for committee rooms 1-4 in Guildhall West Wing, allowing the

- effective use of Microsoft 'Teams' and 'Zoom' to facilitate audio and video meetings and the ability to live stream and record.
- The 'in principle' funding approval was based on the need for smarter working for Members and officers which has become more palpable in the light of the current crisis.
- The request is to draw down funding of £185k to purchase and install the equipment, subject to the approval of authority to start work by the Chief Officer at gateway 5.

Funding for each of these schemes can be met from the provision set aside from the reserves of the three main funds for these 2020/21 annual bids, subject to Members confirming the priority of these schemes for the release of funds at this time.

New Capital Funding Bids outside of the Annual Bid Process

8. Three new bids for funding have been submitted outside of the annual process:

(i) City Streets Transportation response to support Covid-19 recovery – up to £568.5k to implement the Phase 3 scheme plus loss of income £336k

- This Phase 3 scheme comprises interventions to support the social distancing work of Phases 1 and 2 of the transportation response to Covid-19 recovery. The scheme will provide temporary seating and greening to support food and beverage businesses and create an attractive environment for residents, workers and visitors, together with additional temporary cycle parking to support and enable an increase in the numbers of people cycling in the City. There is a separate report from the Director of the Built Environment on today's agenda with full details.
- Funding of £1,049k for the first two phases has been secured from TfL and a bid has been made for Phase 3. However, due to the demand for TfL Covid-19 recovery funding across London, the likelihood of a wholly successful third bid is low and therefore central funding of up to the full cost of £568.5k is now requested; the actual draw-down will be reduced by any TfL funding that may be subsequently awarded.
- The case for such a bid from City Fund resources outside of the annual process is clear and will presumably receive priority. The most appropriate source of funding would be the On-Street Parking Reserve. Members will also wish to note an estimated £336k of On-Street Parking income foregone over a six month period arising from the loss of vehicle parking bays. This means that the potential detriment to the On-Street Parking Reserve would amount to £904.5k.

(ii) City of London Primary Academy Islington (COLPAI) Temporary Site – top-up funding of £283.1k now requested

- COLPAI is required to leave its present temporary site in July 2020 and from September move to its alternative temporary site at the Copenhagen Primary School, pending the completion of the permanent building. In March, Members agreed the draw-down of £300k of City's Cash resources to cover the costs of refurbishment and rental for the autumn term.

- Since then the costs have been impacted by the need to provide transportation and the effect of Covid-19 which saw the COLPAI contractor ceasing work on site in order to introduce social distancing procedures and additional welfare facilities. As a result, the expected completion date is now May 2021 which means that the occupation of the temporary site will need to continue beyond the autumn term. There is a separate report from the Director of Children's and Community Services on today's agenda with further details.
- The net impact of this extended occupation has resulted in an estimated increase in one-off costs of £283.1k, for which additional central funding from City's Cash resources is now sought.

(iii) Wanstead Flats Artificial Grass Pitches – match funding of up to £1.9m

- In January 2020 a capital bid was submitted as part of the 2020/21 annual bid process to provide 'in principle' funding for a contribution of £3.2m towards a potential £8m project to provide artificial grass pitches at Wanstead Flats. Members were supportive of the proposal but felt that the cost was too high and requested a revised bid for a lower sum to be submitted.
 - A more detailed business plan has now been produced to make the scheme attractive to a third-party operator, with a reduced (but still significant) capital project of £4.9m of which £3m is to be met by grant funding from a third party. The balance of £1.9m will require a funding contribution from City's Cash resources. There is a separate report of the Director of Open Spaces on today's Resource Allocation Sub-Committee agenda with full details.
 - The 'in principle' funding is being sought on the grounds of the health and safety risk associated with the Capel Road changing rooms which will eventually become a risk on the Corporate Risk Register, together with the opportunity for partial external funding.
 - Members will wish to weigh up the benefits of securing £3m in external funding and anticipated future revenue savings against the justification for committing £1.9m of additional City's Cash resources at the current time.
9. In the first instance, Members are asked to consider whether these schemes are of sufficient priority to warrant approval outside of the annual bid process.
10. Should Members wish to support any of the three bids, two funding options have been identified:
1. Request the Finance Committee to recommend to the Court of Common Council an increase in the sums set aside for the 2020/21 annual capital bids by a further (up to) £2.834m, to be allocated from the reserves of the relevant funds.
 2. Re-prioritisation of other 'less essential' schemes to make way for the three new bids - effectively deferring selected schemes until next year's bid round.

Option 1 reflects the funding approach adopted for the existing approved bids. However, in the current crisis it is not deemed appropriate to place further pressure on our reserves.

An assessment of the financial impact and practical implications of Covid-19 on the 46 new bid schemes is currently in progress as a means of determining which schemes are deemed essential for progression at this time. Therefore, if minded to pursue option 2 above, Members could either nominate schemes for deferral now or await the outcome of this review to agree which schemes should be deferred.

Impact of the Covid-19 crisis on the allocation of central funding

11. The exercise to assess the financial impact and practical implications of Covid-19 on the 46 new bid schemes is taking longer than originally anticipated. The effect on existing contractual obligations arising from Covid-19 is difficult to assess, as is the likely impact on future project delivery, this is proving to be a time-consuming exercise which we hope to complete before the summer recess.
12. In the meantime, where officers are faced with increased costs arising from Covid-19, they are being encouraged, in the first instance, to explore the opportunity to de-scope projects with a view to containing costs within the existing funding envelope.

Conclusion

13. 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, £4.73m has previously been agreed for release.
14. Further requests for the release of £5.057m to allow four schemes to progress to the next gateway are set out in Table 1 (details in paragraph 7). In the first instance, in the context of the current crisis, Members will wish to confirm that these schemes remain an essential priority for funding to be released at this time. Funding can be met from the existing provisions set aside for the 2020/21 annual bids.
15. Three new capital bids have been submitted for 'in principle' funding approval outside of the annual bid process amounting to £2.752m. In the first instance, Members are asked to consider whether these schemes are of sufficient priority to warrant approval outside of the annual bid process.
16. If the new bids are approved 'in principle', the immediate release of £852k is requested, with funding to be identified from within the approved provisions set aside for the 2020/21 capital bids, which will require identification of other/existing bids for deferral.
17. An assessment of the financial impact and practical implications of Covid-19 on the 46 approved 2020/21 annual bids is underway to identify schemes for possible deferral, with a view to identifying substitute funding for the new bids.

18. In the meantime, officers are being encouraged, in the first instance, to explore the opportunities to de-scope projects to contain increased costs arising from Covid-19 within the existing funding envelope.

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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