

Committee(s):	Date(s):
Resource Allocation Sub	For Decision 02 October 2014
Policy and Resources	For Decision 02 October 2014
Subject:	
Project Funding Update	Public
Report of:	
The Chamberlain	For Decision
<p>Summary</p> <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 (i.e. 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, highlights potential schemes which may require funding and seeks agreement to allocate £0.62m to fund the City Wi-Fi project from the 2014/15 provisions (£0.31m City Fund and £0.31m City's Cash) and £0.204m to fund the widened scope of the Barbican Area Strategy Review to include consideration of the Cultural Hub and the impact of Crossrail on the area.</p> <p>If all the potential City Fund schemes were progressed, a modest balance of £0.181m would remain in 2014/15 to fund any further new schemes identified during the remainder of the year. An unallocated balance of £1.240m is indicated for City's Cash if all potential schemes were to be progressed.</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> <p>Recommendations</p> <p>Members are asked to agree the following allocations:</p> <ul style="list-style-type: none"> • £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. 	

Main Report

Background

1. The Project Procedure was implemented in November 2011.
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, TfL or Heritage Lottery Fund. 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 (which are currently being evaluated). 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.
9. During the interim period since May, when funding for the Barbican

Centre Website project was approved, Members have agreed to allocate further City Fund provisions towards the Guildhall Art Gallery Lighting project (£0.043m) and the Municipal Bonds Agency (£0.2m) and have also agreed an allocation of £0.3m from the City's Cash provision to meet the costs of a Judicial Review.

10. Appendix 1 (elsewhere on the agenda) 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.
11. There are two proposals requiring a funding decision at this stage in order to progress:
 - the City Wi-Fi system – total estimated funding of £620,000 (50% City Fund and 50% City's Cash). Authority to progress to Gateway 5 has been granted subject to the allocation of resources. Although this scheme is classified as an **asset enhancement** scheme which does not meet the project category criteria (see paragraph 5), it is **essential** to maintain the ongoing operation of the organisation and is therefore considered to be a critical enhancement for a modern establishment such as this, which should therefore be given priority. Officers from the Town Clerk's and Chamberlain's departments have scrutinised the request against the schemes likely to be coming through the Gateway process as part of the trialling arrangement for the new Officer Corporate Priorities Board and have endorsed this funding proposal. A copy of the detailed option appraisal report is provided at Appendix 2.
 - Barbican Area Strategy Review – funding of £204,078 from the City Fund provision. The Streets and Walkways Sub-Committee agreed to widen the scope of this strategy review, in order to include consideration of the Cultural Hub and the impact of Crossrail on the area, at an additional cost of £204,078 (total revised budget of £299,078). At this stage, the review is not sufficiently developed to identify prioritised projects, but further funding is **essential** to inform requirements arising from these high profile initiatives. A copy of the issues report is provided at Appendix 3 (elsewhere on the agenda).
12. Appendix 1 indicates that, at this mid-point stage in the year, 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 £0.181m.
13. For City's Cash, Appendix 1 indicates that, with a headroom balance of £1.240m remaining unallocated at this stage, all of the currently identified schemes requiring funding could be accommodated.
14. 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

15. All projects currently identified as requiring funding from the 2014/15 provisions for new schemes can be accommodated, although this will restrict flexibility for the remainder of the year for the City Fund in particular. At this stage, approval is recommended to funding to progress the City Wi-Fi scheme, requiring an estimated total sum of £0.62m (£0.31m City Fund and £0.31m City's Cash) and also additional resources to increase the scope of the Barbican Area Strategy Review, requiring £204,078 from the City Fund provision.

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)
- Appendix 2 – Authority to Start Work Report – City Wi-Fi System (Non-Public)
- Appendix 3 – Issue Report: Update on the Barbican Area Strategy Review (attached)

Caroline Al-Beyerty
Financial Services Director, Chamberlain's Department
T: 020 7332 1164
E: caroline.al-beyerty@cityoflondon.gov.uk