

Committee(s): Resource Allocation Sub – For Decision Policy and Resources - For Decision	Date(s): 11 December 2014 11 December 2014
Subject: Project Funding Update	Public
Report of: The Chamberlain	For Decision
<p style="text-align: center;">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 (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, the potential schemes which may require funding and seeks agreement to allocate a total amount of 0.606m from the 2014/15 City’s Cash provision. This comprises £0.397m to meet the additional cost of the Oracle ERP project and £0.209m to progress a market led City Telecommunications solution to wired broadband and the development of a wireless broadband concession. There are no new requests for City Fund allocations at this time.</p> <p>If all the potential City Fund schemes were progressed, a modest balance of £0.256m would remain in 2014/15 to fund any further new schemes identified during the remainder of the year. An unallocated balance of £0.634m is indicated for City’s Cash if all potential schemes were to be progressed, including the two requests for which approval is sought.</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 from the 2014/15 City’s Cash provision:</p> <ul style="list-style-type: none"> • £0.397m to fund the additional cost of the Oracle ERP project • £0.209m to fund the progression of a market led City Telecommunications solution to wired broadband and the development of a wireless broadband concession. 	

Main Report

Background

1. The Project Procedure was implemented in November 2011 and subsequently reviewed in May 2014.
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, other developer contributions or TfL. 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 (see footnote). 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.

Footnote: A minimal scheme for works to the Museum's London Wall premises is currently being progressed at a total cost of £1m, pending a decision on potential reconstruction/relocation.

9. Appendix 1 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.
10. There are two proposals requiring a decision on funding from the City's Cash provision in order to progress:
 - Oracle ERP – additional funding of £397,385 The Finance and Projects Sub-Committees have agreed to a revised programme for the delivery of this **essential** project, resulting in an increase of £397,385 in the approved project sum. A copy of the update report is available on request from the Town Clerk's Office.
 - City Telecommunications Strategy – total funding of £209,000 The Projects Sub Committee agreed to progress the option for a market led telecommunications strategy to ensure the high performance fibre and wireless broadband facilities deemed critical to maintaining the City's competitiveness as a global financial centre, which has been categorised as an **essential, high priority** scheme. The cost comprises £79,000 to develop a wireless concession and £130,000 to develop a demand model and undertake a connectivity assessment for a wired broadband service. A copy of the Options appraisal report is available on request from the Town Clerk's Office.
11. There are no new requests for funding from the City Fund provision. However, Appendix 1 indicates that 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 £0.256m, a position largely unchanged since the last report.
12. For City's Cash, Appendix 1 indicates that, after allowing for the two proposals and other schemes in the pipeline, all of the identified schemes requiring funding could be accommodated, leaving a headroom balance of £0.634m.
13. 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

14. All projects currently identified as requiring funding from the 2014/15

provisions for new schemes can be accommodated. At this stage, approval is recommended for allocations from the City's Cash provision for funding to meet the additional cost of the Oracle ERP project (£0.397m) and to progress the City Telecommunications strategy for the provision of wired and wireless broadband access in the City (£0.209m).

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)

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