

Committee(s):	Date(s):
Resource Allocation Sub	For Decision 28 May 2015
Policy and Resources	For Decision 28 May 2015
Subject:	
Project Funding Update	Public
Report of:	
The Chamberlain	For Decision
Summary	
<p>The Policy and Resources Committee has 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.</p> <p>This report advises on the allocation of funds made from the 2014/15 provision and seeks approval to carry forward the unallocated balances of £0.486m for City Fund and £0.125m for City's Cash to create additional headroom to supplement the 2015/16 provisions.</p> <p>Ordinarily any unallocated provisions are returned to the centre. However, the Service Based Reviews (SBRs) have identified a number of 'spend to save' proposals requiring up-front investment and it is suggested that the annual provisions for new schemes should be the first option for funding. In recognition of the resulting additional pressure on the provisions, it is therefore proposed that the unallocated balances from 2014/15 be carried forward to bolster the funds available in 2015/16.</p> <p>The report also highlights potential schemes which may require funding and seeks agreement to allocate a total of £154,000 from the 2015/16 City Fund provision towards three SBR investment proposals. These comprise £130,000 for coffee points and mobile bars at the Barbican Centre and a total of £24,000 towards the costs of feasibility and planning for the transformation of Barbican and Shoe Lane libraries. These funding proposals have been endorsed by the Corporate Priorities Board, the senior officer group created to consider resourcing for projects which is chaired by the Town Clerk.</p> <p>A potential shortfall of £1.152m could arise if all of the identified City Fund schemes were to be allowed to progress in 2015/16. Therefore it may be necessary, later in the year, to prioritise the schemes to which available funds should be allocated, or alternatively to seek an additional draw down from City Fund reserves to support the SBR proposals. Advice from the Corporate Priorities Board will be provided to assist in determining the optimum solution.</p> <p>An unallocated balance of £0.724m is currently indicated for City's Cash in 2015/16 if all schemes were to be progressed. However, this includes some schemes that are not classified as essential. If funding for these schemes were not agreed due to failing the qualifying criteria, the unallocated balance would increase.</p> <p>Following the annual roll forward of the planning period to 2018/19, approval is also sought to formalise the provision of £6m for that year (£3m each for City Fund and</p>	

City's Cash).

Recommendations

Members are asked to:

- Note the contents of this report in respect of the allocation of the 2014/15 provisions for new schemes;
- Agree to carry forward the 2014/15 unallocated balances of £0.486m for City Fund and £0.125m for City's Cash to bolster support for SBR investment proposals;
- Agree to the allocation of £154,000 from the 2015/16 City Fund provision to provide funding for SBR investments, comprising:
 - a. £130,000 for coffee point and mobile bars at the Barbican Centre;
 - b. £24,000 towards the cost of feasibility and planning for the transformation of the Barbican and Shoe Lane libraries.
- Formally approve the allocation of a total of £6m to be set aside in 2018/19 as a provision for new schemes (£3m each for City Fund and City's Cash).

Main Report

Background

1. The Project Procedure was implemented in November 2011.
2. The Policy and Resources Committee have agreed to set aside sums of £18m (£3m per annum) over the 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. In June 2012, the Policy and Resources Committee agreed that only projects that are considered **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)
4. In exceptional circumstances, other projects considered to be a priority by the Resource Allocation Sub-Committee will be allowed to proceed.
5. The majority of projects working their way through the early gateways are to be funded either from internal ring-fenced sources such as the Barbican Centre and GSMD Capital Caps and the City Surveyor's Designated Sales Pools or from external sources such as Section 106 deposits and Government/Transport for London grants which are restricted for specific purposes.
6. Decisions about the allocation of resources for those projects that require

funding is generally taken when a scheme reaches Gateway 4a – Inclusion in Capital Programme. Until now, members of the Resource Allocation Sub Committee have generally been asked only to consider the allocation of funds from the annual provisions.

7. To help members to prioritise the allocation of City resources to projects from a wider range of funding sources, the Corporate Priorities Board has been created to provide a more holistic approach to the allocation of project finance, by considering bids for funding from a range of available (less constrained) sources, including in particular future receipts from the unallocated pots of the City's Community Infrastructure Levy (CIL).

Funding approved from the 2014/15 Allocations

8. The Policy and Resources Committee has agreed to set aside £1m of the City Fund annual provision to be earmarked for essential capital works to the London Wall premises of the Museum of London. In addition, the unallocated balances from 2013/14 of £0.4m for City Fund and £1m for City's Cash were allowed to be rolled forward. This resulted in total 2014/15 provisions of £2.4m for City Fund and £4m for City's Cash schemes. Appendix 1 lists the projects for which funding from the 2014/15 allocations has been agreed, leaving unallocated balances of £0.486m for City Fund and £0.125m for City's Cash at the year-end.
9. The City's Cash provision was previously expected to be exhausted and approval to an advance draw-down from the 2015/16 provision was sought on an exceptional basis to allow the high priority Hampstead Heath Ponds project to progress. However, the anticipated request for funding for the Lord Mayor's coach refurbishment was deferred, creating sufficient headroom to meet the Hampstead Heath requirement in full, with a small unallocated balance of £0.125m remaining.

Options for the unallocated balances

10. These provisions are intended to fulfil a potential in-year funding gap and the carrying forward of unallocated balances is not generally in the spirit of what was intended. Therefore, in the normal course of events, such balances would be retained centrally.
11. However, the Service Based Reviews (SBRs) have identified a number of 'spend to save' proposals requiring up-front investment to increase revenue income streams or to deliver cost savings and it is suggested that the annual provisions for new schemes should be the first option for funding. It is therefore proposed that the unallocated balances from 2014/15 should be rolled forward to bolster the funds available in 2015/16. A report providing further details on the potential funding requirements for SBR 'spend to save' proposals is due to be considered at the next meeting of the Sub-Committee.

Funding from the 2015/16 provisions

12. Should the carry forward proposals be agreed, the provisions for new schemes in 2015/16 will be £2.486m for City Fund (£3m less £1m for Museum + proposed £0.486m unallocated 2014/15 balance carried forward)

and £3.125m for City's Cash (£3m + proposed £0.125m unallocated 2014/15 balance carried forward).

13. There are three requests for funding requiring a decision now in order for projects to progress. These relate to SBR investment proposals, and the 2015/16 City Fund provision for new schemes has been identified as the most appropriate source of funding by the Corporate Priorities Board:
 - Investment in Coffee Points and Mobile Bars for the Barbican Centre – Estimated funding of £130,000. This SBR proposal is following the light approval track, allowing the Managing Director of the Barbican Centre to give authority to start work subject to the approval of funding. It is classified as an **essential, income generating** scheme. The Barbican Centre's budget will be permanently reduced, with the capital cost being recovered from savings in the first five years.
 - Transformation of the Barbican Library – funding of £12,000. The total cost of assessing the feasibility and planning for this SBR proposal is estimated at £42,000, of which £30,000 has been identified from existing local risk resources. A funding contribution of £12,000 is therefore being sought. This scheme is currently classified as an **advisable** scheme to deliver **efficiency improvements**. Should the proposal prove viable, its priority status will be reassessed.
 - Transformation of Shoe Lane Library – funding of £12,000
This is an identical proposal to the Barbican Library as detailed above.
14. A list of the 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 2015/16 and future years is provided in Appendix 2.
15. For City Fund, the Appendix indicates that a potential shortfall of £1.152m could arise if all of the identified City Fund schemes were to be allowed to progress in 2015/16. Therefore it may be necessary, later in the year, to prioritise the schemes to which available funds should be allocated, or alternatively to seek an additional draw down from City Fund reserves to support the SBR proposals. Input from the Corporate Priorities Board will be provided to assist in this process. At this stage, it is proposed that the three requests totaling £154,000 be agreed in order to support the SBR process.
16. An unallocated balance of £0.724m is indicated for City's Cash in 2015/16 if all schemes were to be progressed. However, this includes some schemes that are not classified as essential. If funding for these schemes were not agreed due to failing the qualifying criteria, the unallocated balance would increase. There are no City's Cash schemes requiring a funding decision at this stage.

Extending the annual provisions by a year

17. Based on the three years of operation, the annual provisions continue to provide adequate resources to enable essential schemes to be progressed:

- For City Fund, the provisions have been underspent in all years – from a combined provision of £7m since 2012/13, a total of £2m has been unallocated.
 - For City’s Cash, the provision was fully allocated in 2012/13 but was underspent in 2013/14 and 2014/15 – from a combined provision of £9m, a total of £0.1m has been unallocated.
18. It is therefore proposed that the current level of provisions be maintained going forward.
 19. During the preparation of the budgets approved in March, the financial planning period was subject to the usual roll forward and additional sums of £3m were included in each of the financial forecasts for 2018/19. Formal agreement to these 2018/19 provisions is now sought.
 20. In addition, maximum value for money from the resources set aside for new schemes should be achieved by continuing the following agreed approach:
 - Ensuring that the project budgets are at the lower end of the predicted range, applying pressure via effective value engineering and restricting scope where possible.
 - Instructing officers to develop options that distinguish between ‘critical’ and the more ‘desirable’ elements of a project to ensure that costs can be contained.

Conclusion

21. The level of resources available to fund new projects in 2014/15 has been adequate to enable essential new schemes to be progressed.
22. The £3m per annum limit on additional project expenditure for each fund has imposed good discipline amongst officers involved in project management and this will be maintained going forward.
23. Developing options which distinguish between the critical and more desirable elements of projects will assist in allocating limited resources.
24. A number of schemes being brought forward as part of the SBR income generation/spend to save proposals require up-front investment and it is proposed that the provisions for new schemes should be the first option for funding. In recognition of the additional pressure on the provisions that this may generate, it is proposed that the unallocated balances of £0.486m for City Fund and £0.125m for City’s Cash be carried forward to bolster the 2015/16 provisions.
25. Requests for funding totalling £154,000 in respect of three City Fund proposals require a decision now. The Corporate Priorities Board has concluded that the 2015/16 City Fund provision for new schemes is the most appropriate source of funding for these SBR schemes.
26. A potential shortfall of £1.152m could arise if all of the identified City Fund schemes were to be allowed to progress in 2015/16. Therefore it may be necessary, later this year, to prioritise the schemes to which available funds should be allocated, or alternatively to seek an additional draw down from

City Fund reserves to support the SBR proposals. Advice from the Corporate Priorities Board will be provided to assist in this process.

27. Headroom of £0.724m is currently indicated in the 2015/16 City's Cash provision. There are no requests for funding
28. Due to the extension of the planning period to 2018/19, formal agreement to the inclusion of £3m provisions for City Fund and City's Cash is now sought.

Appendices

- Appendix 1 Non-Public – Projects funded from 2014/15 City Fund and City's Cash provisions for new schemes
- Appendix 2 Non-Public – Projects which may seek funding from 2015/16 and future City Fund and City's Cash provisions for new schemes

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