

Committee: Resource Allocation Sub Policy and Resources Committee	Date: 19 October 2015 19 October 2015
Subject: Project Funding Update	Public
Report of: Chamberlain	For Decision

Summary

1. 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. This report advises on the current unallocated balances on each of the funds in 2015/16 and the potential schemes which may require funding.
2. Some £0.390m has been allocated to date from the total 2015/16 City Fund provision for new schemes of £2.486m. Agreement is now sought to allocate a further sum of £1.925m towards three proposals:-
 - £0.850m to meet the shortfall in funding towards the £5.2m total cost of the Sir John Cass School extension scheme. This proposal has arisen from a government-led strategy and has therefore been classified as an **essential asset enhancement** (which is subject to final approval by the Sir John Cass Foundation);
 - £0.486m towards the £0.650m total cost of the Frobisher Crescent Level 4 meeting and conference facilities scheme at the Barbican Centre to **generate additional income** (part of the Service Based Review (SBR) invest to save proposals which require up-front funding); and
 - £0.589m to fund the provision of a new retail unit within the Barbican Centre to **generate additional income** (also part of the Service Based Review (SBR) invest to save proposals which require up-front funding).
3. If all the above funding requests are agreed, a balance of £0.171m would remain. However, if all the City Fund schemes in the pipeline which have been currently identified are allowed to progress in 2015/16, a shortfall of £1.630m would arise. In the event that future anticipated requests for funding should materialise which would result in the available provision being exceeded, it is proposed that a bid to the Resource Allocation Sub-Committee for an additional draw down from City Fund reserves to support the SBR proposals be made.
4. The total 2015/16 City's Cash provision is £3.125m of which £0.458m has been allocated to date, leaving a balance of £2.667m. However, if all the City's Cash schemes in the pipeline which have currently been identified were allowed to progress, an unallocated balance of £0.177m would remain. There are currently no new requests for funding.

Recommendation

4. It is recommended that Members:-
 - Agree to the allocation of £1.925m from the 2015/16 City Fund provision for new schemes to provide funding for the three projects detailed above, subject to the agreement of the relevant gateway reports and other approvals as appropriate.
 - Note that, in the event that future anticipated requests for funding should materialise which would result in the available provision being exceeded, a bid for an additional draw down from the City Fund reserves may be made in support of the SBR income generating proposals.

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 £21m (£3m per annum) over the period from 2012/13 to 2018/19 in both the City Fund and City's Cash financial forecasts (£42m 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. To help members to prioritise the allocation of City resources to projects from a wider range of funding sources, the 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 from the 2015/16 provisions

7. The provisions for new schemes in 2015/16 amount to £2.486m for City Fund (£3m less £1m for Museum + £0.486m unallocated 2014/15 balance carried forward) and £3.125m for City's Cash (£3m + £0.125m unallocated 2014/15 balance carried forward).
8. There are three projects which require a funding decision now in order for projects to progress. The 2015/16 City Fund provision for new schemes has been identified as the most appropriate source of funding by the Corporate Priorities Board:
 - Extension of the Sir John Cass School – funding contribution of £850,000 towards the £5.2m estimated cost. This proposal has arisen from a government-led strategy to accommodate the increasing demand for school places and has therefore been classified as an **essential asset enhancement**. It has a total estimated cost of £5.2m of which £4.39m of funding (comprising Government grants, external contributions from S106 monies and the Foundation and other education-related resources) has been identified, leaving a shortfall of £0.850m.
 - Investment in Meeting and Conference Facilities at the Barbican Centre - funding of £485,800 for implementation. This proposal aims to **generate additional income** through enhancement of the meeting and conference facilities on Level 4 of Frobisher Crescent. A budget of £14,200 was previously allocated to meet feasibility costs and funding for implementation is now being requested.
 - Investment in a New Retail Unit at the Barbican Centre - funding of £589,000 for implementation. This proposal aims to **generate additional income** through the construction of a new shop in a more prominent location within the Barbican Centre.
 - Whilst both of the above Barbican Centre proposals are classified as **advisable**, they form a significant element of the Barbican Centre's SBR proposals and are therefore considered a priority. In order for the schemes to progress they will require up-front funding. Subsequently the Barbican Centre's revenue budget would be permanently reduced to reflect the additional net income achieved.
9. A list of the schemes which may require funding from the City Fund and City's Cash provisions for 2015/16 and future years is provided in the Appendix.
10. For City Fund, if all of the cumulative requests to date were agreed, (including the SBR proposals of £1.219m), a balance of £0.171m would remain. However, the Appendix indicates that a potential shortfall of £1.630m could arise, mainly as a result of the aim to fund the capital cost of the Barbican SBR

proposals from the City Fund provision in the first instance. The impact of the SBR funding on the provision is illustrated in the table below:

<u>2015/16 City Fund Provision for new schemes</u>	SBR Funding Requests £m	Other Funding Requests £m	Total Funding Requests £m
Agreed to date	0.144	0.246	0.390
Requested Now	1.075	0.850	1.925
Cumulative requests to date	1.219	1.096	2.315
Future requests anticipated	0.811	0.990	1.801
Total including future anticipated funding requests	2.030	2.086	4.116
Available provision			2.486
Potential shortfall			1.630

11. From the above table it can be seen that the provision of £2.486m would be adequate to fund all non-SBR requests (currently anticipated at £2.086m) and consequently that the potential shortfall results from the accommodation of the SBR funding.
12. Therefore, mindful of the future anticipated shortfall which will arise if all the expected requests materialise it is proposed that:
 - At this stage, the Sir John Cass request for £0.850m to address the funding shortfall and the Barbican Centre requests for £1.075m in support of the SBR process be agreed in the first instance, all of which can be contained within the existing provision available.
 - In the event that further requests materialise which would result in the available provision being exceeded, it is proposed that a request to the Resource Allocation Sub-Committee for an additional draw down from City Fund reserves to support the SBR proposals be made.

13. For City's Cash, the Appendix indicates an unallocated balance of £0.177m if all schemes were to be progressed. However, this includes 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 requests for funding from the City's Cash provision at this stage.

Conclusion

14. Requests for funding totalling £1.925m 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.
15. A potential shortfall of £1.630m could arise if all of the identified City Fund schemes were to be allowed to progress in 2015/16, largely due to the up-front funding for the Barbican Centre SBR proposals from the provision. At this stage, it is proposed that the three funding requests totalling £1.925m be agreed from within the available provision in the first instance. However, In the event that further requests materialise which would result in the available provision being exceeded, it is proposed that a request to the Resource Allocation Sub-Committee for an additional draw down from City Fund reserves to support the SBR proposals be made.
16. There are no requests for funding from the 2015/16 City's Cash provision at this stage. An unallocated balance of £0.177m is indicated if all City's Cash schemes were to be progressed. However, this includes 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.

Appendices

- Appendix – Projects which may seek funding from 2015/16 and future City Fund and City's Cash provisions for new schemes

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