

<b>Committee(s):</b>		<b>Date(s):</b>
Resource Allocation Sub	For decision	15 December 2016
Policy and Resources Committee	For decision	15 December 2016
<b>Subject:</b>		<b>Public</b>
Project Funding Update		
<b>Report of:</b>		<b>For Decision</b>
The Chamberlain		
<b>Report author:</b>		
Caroline Al-Beyerty, Chamberlain's Department		

### Summary

This report seeks approval to one-off funding of up to £799k to allow two new proposals to be progressed to the next gateway and to provide top-up loan funding for two Barbican SBR schemes. The Priorities Board, the officer group created to provide a more holistic approach to the allocation of project finance, proposes that these requests be met from the 2016/17 City Fund annual provision for new schemes. Annual provisions have been set aside in both City Fund (£2m net) and City's Cash (£3m) to provide a degree of flexibility to fund smaller value new capital schemes as they arise.

A summary of the forecast position for the 2016/17 annual provisions is shown below:

	City Fund £m	City's Cash £m
2016/17 provisions	2.000	3.000
Allocations previously agreed	(0.036)	(0.036)
New Requests:		
• Relocation of Adult Skills and Education Service to City Business Library	(0.071)	-
• Barbican Estate New Baggage Stores (SBR)	(0.610)	-
• Barbican Centre SBR loan top-up funding:		
- Frobisher Crescent Level 4	(0.052)	-
- New Retail Unit	<u>(0.066)</u>	-
	(0.799)	
<b>Unallocated balance remaining</b>	<b>1.165</b>	<b>2.964</b>
Future potential requests	(1.137)	(2.307)
Forecast Headroom after allowing for Future Potential Requests	0.028	0.657

If these requests were agreed the balance remaining for City Fund would be £1.165m. There are currently no new requests for funding from the City's Cash provision which has an unallocated balance of £2.964m.

Details of the schemes to be funded including future potential requests are contained in the Appendix.

There is also a separate request for funding of £671k from the On Street Parking Reserve towards the cost of implementing the Bank Junction Experimental Safety Scheme, which is supported by the Priorities Board. This is the subject of a separate report on today's agenda.

### **Recommendations:**

It is recommended that Members agree to the following requests for funding totalling £799k from the 2016/17 City Fund provision for new schemes:

- Relocation of Adult Skills and Education Services to Guildhall Business Library – a contribution of up to £71k, dependent on the project sum approved at Gateway 5 by the Chief Officer after procurement;
- Barbican Estate New Baggage Stores (SBR proposal) – a provision of up to £610k, (including £19k to progress to the next gateway) with the remainder of £591k dependent on the project sum approved at Gateway 5 by the Chief Officer after procurement;
- Top-up loan funding for two Barbican Centre SBR proposals to cover cost increases:
  - Frobisher Crescent Level 4 - £52k
  - New Retail Unit - £66k;

.all subject to the requisite approvals by other committees.

### **Main Report**

#### **Background**

1. The Policy and Resources Committee have agreed to set aside sums of £24m (£3m per annum) over the period from 2012/13 to 2019/20 in both the City Fund and City's Cash financial forecasts (£48m in total) to provide a degree of flexibility to fund smaller value new capital schemes as they arise.
2. 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)

In addition, under exceptional circumstances, other projects considered to be a priority by the Resource Allocation Sub-Committee will be allowed to proceed.

3. 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.
4. Decisions about the allocation of resources for those projects that do not have access to these sources of funding are generally taken when a scheme reaches Gateway 4a – Inclusion in Capital Programme, although requests at earlier gateways are also arising on a more frequent basis. To help members to prioritise the allocation of City resources to projects from a wide 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).

5. The 2016/17 provisions for new schemes amount to £2m for City Fund (£3m less £1m for the existing Museum building) and £3m for City's Cash.

### Requests for Funding

6. There are four requests for funding totalling £799k and the Corporate Priorities Board has identified the 2016/17 City Fund annual provision for new schemes as the most appropriate source of funding.
  - Relocation of Adult Skills and Education Services to Guildhall Business Library – a contribution of up to £71k. This proposal is classified as an **essential** scheme as it facilitates the construction of a new academy school and affordable housing on the old Richard Cloudesley School site. The contribution of £71k represents the proportion of the £250,000 cost which remains unfunded after applying existing S106 and local risk monies. The actual sum required will be confirmed at authority to start work stage (gateway 5) to be approved by the Chief Officer in accordance with the Project Procedure.
  - Barbican Estate New Baggage Store Installation – funding of up to £610k, including £19k to reach the next gateway. This is classified as an **advisable income generation** scheme which is being progressed to achieve **SBR** target savings, with an anticipated payback period of approximately 3.5 years. A sum of £19k is requested to reach the next gateway, with the balance of £591k being an upper limit based on estimates – the actual sum required will be confirmed at authority to start work stage (gateway 5) to be approved by the Chief Officer in accordance with the Project Procedure.
  - Top-up loan funding to cover cost increases on two Barbican Centre **SBR** schemes:
    - Frobisher Crescent Level 4 – additional sum of £52k. The original approved cost of the scheme was £500k – the increase is to cover unforeseen construction issues related to electrical works and replacement of screens and doors
    - New Retail Unit – additional sum of £66k. The original approved cost of the scheme was £589k – the increase is to cover costs of time delays and necessary changes to specifications which came to light after works had started.

The above requests are subject to the requisite approvals from other committees.

7. The forecast position for the 2016/17 annual provisions is shown in the report summary above.
8. If the City Fund requests were agreed, a balance of £1.165m would remain. A number of future potential requests amounting to £1.137m have been identified to date, which would result in a headroom balance of just £28k if all were eventually progressed.
9. There are no new requests for City's Cash funding and an unallocated balance of £2.964m remains. Future potential requests amounting to £2.307m have been identified (excluding a provision for the West Ham Park Nursery site which as yet is unquantified) which would result in a forecast headroom of £657k if all were to be progressed.

10. Details of the schemes requiring funding, the resulting implications on the 2016/17 annual provisions and also schemes which may require funding in future years is provided in the Appendix.

### **Conclusion**

11. There are four requests for funding totalling £799k and the Corporate Priorities Board has concluded that the 2016/17 City Fund provision for new schemes provides the appropriate source of funding.
12. There are adequate resources available to meet these requests. After allowing for future potential requests for funding which have been identified to date, the unallocated balances are currently forecast at £28k and £657k for City Fund and City's Cash respectively.

**Appendix** – Detailed schedule of projects requiring funding from the 2016/17 and future year provisions for new schemes

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