



Resource Allocation Sub (Policy and Resources) Committee

Date: THURSDAY, 10 DECEMBER 2020

Time: 12.00 pm

Venue: VIRTUAL MEETING

Members: Deputy Catherine McGuinness (Chair)
Jeremy Mayhew (Deputy Chairman)
Deputy Keith Bottomley
Tijs Broeke
Deputy Jamie Ingham Clark
Karina Dostalova
Anne Fairweather
Sheriff Christopher Hayward
Shravan Joshi
Alderman Vincent Keaveny
Deputy Edward Lord
Alderman Ian Luder
Deputy Tom Sleigh
Sir Michael Snyder
Deputy James Thomson
Alderman Sir David Wootton

Enquiries: Emma Cunnington
tel. no.: 020 7332 1413
emma.cunnington@cityoflondon.gov.uk

Accessing the virtual public meeting

Members of the public can observe this virtual public meeting at the below link:

<https://www.youtube.com/watch?v=WSzIMcAzhgw>

This meeting will be a virtual meeting and therefore will not take place in a physical location following regulations made under Section 78 of the Coronavirus Act 2020. A recording of the public meeting will be available via the above link following the end of the public meeting for up to one municipal year. Please note: Online meeting recordings do not constitute the formal minutes of the meeting; minutes are written and are available on the City of London Corporation's website. Recordings may be edited, at the discretion of the proper officer, to remove any inappropriate material.

John Barradell
Town Clerk and Chief Executive

AGENDA

1. **APOLOGIES**

2. **MEMBERS DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

3. **MINUTES**

To agree the public minutes of the Sub-Committee meeting held on 20 November 2020.

For Decision
(Pages 1 - 6)

4. **PROJECT FUNDING**

Report of the Chamberlain.

For Decision
(Pages 7 - 14)

5. **2020/21 BUDGET SETTING UPDATE**

Report of the Chamberlain.

For Decision
(Pages 15 - 22)

6. **PRIORITISATION OF 2021/22 ANNUAL CAPITAL BIDS - STAGE 2 PROPOSALS**

Report of the Chamberlain.

For Decision
(Pages 23 - 38)

7. **REVIEW AND PRIORITISATION OF RING-FENCED S106 DEPOSITS**

Report of the Director of Built Environment.

For Decision
(Pages 39 - 42)

8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

9. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

10. **EXCLUSION OF THE PUBLIC**

MOTION – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of the Schedule 12A of the Local Government Act.

For Decision

Part 2 – Non-Public Agenda

11. **NON-PUBLIC MINUTES**

To agree the non-public minutes of the Sub-Committee meeting held on 20 November 2020.

For Decision
(Pages 43 - 46)

12. **NON-PUBLIC APPENDIX - 2020/21 BUDGET SETTING**

Non-public appendix to be read in conjunction with item 5.

For Information
(Pages 47 - 48)

13. **PROPOSAL TO ASSIST CITY OF LONDON OPERATIONAL TENANTS FOR THE DECEMBER QUARTER**

Report of the City Surveyor.

For Decision
(Pages 49 - 68)

14. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB-COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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RESOURCE ALLOCATION SUB (POLICY AND RESOURCES) COMMITTEE

Friday, 20 November 2020

Minutes of the meeting of the Resource Allocation Sub (Policy and Resources)
Committee held at Virtual Meeting on Friday, 20 November 2020 at 11.30 am

Present

Members:

Deputy Catherine McGuinness (Chairman)	Shravan Joshi
Jeremy Mayhew (Deputy Chairman)	Alderman Vincent Keaveny
Deputy Keith Bottomley	Deputy Edward Lord
Tijs Broeke	Alderman Ian Luder
Deputy Jamie Ingham Clark	Deputy Tom Sleigh
Karina Dostalova	Sir Michael Snyder
Anne Fairweather	Deputy James Thomson
Sheriff Christopher Hayward	Alderman Sir David Wootton

In Attendance

Randall Anderson
Marianne Fredericks
Graeme Harrower
Ann Holmes
Barbara Newman

Officers:

John Barradell	- Town Clerk & Chief Executive
Angela Roach	- Assistant Town Clerk & Director of Members Services
Peter Lisley	- Assistant Town Clerk & Director of Major Projects
Greg Moore	- Town Clerks
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Deputy Chamberlain
Michael Cogher	- Comptroller & City Solicitor
Paul Wilkinson	- City Surveyor
Nick Gill	- Surveyors
Emma Cunningham	- Town Clerks

1. APOLOGIES

There were no apologies.

2. MEMBERS DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

3. **MINUTES**

The minutes of the meeting of the Sub-Committee held on 22 October 2020 were agreed as a correct record.

4. **RESOLUTION FROM THE EDUCATION BOARD**

The Sub-Committee received a resolution from the Education Board concerning the proposed new funding model for schools reflected from Sir Mike Tomlinson's review into education.

RESOLVED, that:-

- The resolution be noted.

5. **GOVERNANCE REVIEW: STANDARDS**

The Sub-Committee considered a report of the Town Clerk concerning key questions around the implementation of the Governance Review for the Standards Regime.

The Policy Chair began by thanking her Deputy Chairman for his hard work in managing the Member consultation sessions and relayed some of the key areas of feedback from Members of the wider Court.

Members then discussed each question laid out in the report as follows:-

Independent Panel

- (i) Do Members agree with the recommendation to establish an Independent Panel, composed only of independent persons?

The Sub-Committee were in unanimous agreement with this recommendation.

- (ii) Should such a Panel receive allegations of misconduct, determine whether to investigate, present findings to the Court, and hear any appeal?

Members were supportive of the three-stage process outlined in the report, and some felt that the first stage (an informal conversation with the Chief Commoner) should be mandatory. One Member suggested that, depending on the issue, the use of external dispute resolution experts also be considered at an early stage.

- (iii) What should its composition be?

The Sub-Committee debated whether the composition should be entirely comprised of independent (i.e. external) individuals or whether there should be some Members (in the minority) who should be part of the Panel. Many felt that the Panel hearing appeals should be entirely independent (i.e. non-City Corporation Member), and that any independent individuals hearing the initial allegation should not also be part of the Appeals Panel.

Members also felt strongly that the Panel should be comprised of a diverse group of individuals.

There was a short discussion of the newly-appointed statutory IPs appointed under the Localism Act and it was agreed that these statutory IPs must be retained.

(iv) How should it be appointed to?

A Member suggested that the panel be appointed independently, but broadly the Sub-Committee were content with the suggested method of appointment that Lisvane set out, i.e. that the Panel should be recruited in the same way as the co-opted Members of the Standards Committee have been.

(v) Should the positions on the Panel be remunerated?

The Sub-Committee supported the view that positions on the Panel should be remunerated and it was suggested that this should be undertaken at a standard rate of £300 per day.

(vi) Who should be responsible for supporting the Panel, or for producing the Panel's rules and procedures (including possible sanctions)?

The Sub-Committee felt it was important for officers, particularly the Comptroller, to support the Panel.

(vii) How should the Court consider its recommendations (i.e. should a Standing Order, preventing debate on any of the Panel's recommendations, be progressed)?

Members agreed that it was very embarrassing for all concerned when issues were debated in Court of Common Council. A Member suggested that this new process would ensure that allegations were dealt with properly and efficiently from the outset, which should avoid the need to debate in Court.

Abolition of Standards / Standards Appeals Committee

(viii) Do Members agree with the proposal to abolish the Standards Committee and Standards Appeals Committee?

The Sub-Committee were in agreement that the Standards Committee and the Standards Appeals Committee should be disbanded, but one Member flagged that there was currently no "home" for dispensation requests. A suggestion was made for the terms of reference of the Members Privileges Sub Committee to be expanded to include dispensation requests.

(ix) If yes, what is the preferred timescale for abolition?

Members felt that the process of abolition needed to start now and be completed by March 2021.

(x) If abolition is prior to the establishment of a new overall committee framework, what should happen in the interim to those areas of responsibility under the purview of Standards Committee which do

not relate to complaints and so would not necessarily go to the new Panel?

See above.

- (xi) In particular, where should responsibility for Dispensations and the Code of Conduct sit, and do any changes need to be sought to either procedure at this point in time?

See above.

Register of Interests

- (xii) Are Members happy to support a change to the way in which the Register of Interests is set out?

Members were supportive of officers taking forward this change.

Training

- (xiii) Should training on standards and conduct matters be made mandatory?

The Sub-Committee heard that there had been a range of views on this matter expressed at the Member consultation sessions. The majority of the Sub-Committee felt that the training should be mandatory, but the training should also be purposeful and up-to-date. Members felt that training should be rolled out for all Members after each election and the Chief Commoner-Elect should receive such training before taking office each year.

- (xiv) If so, what sanction should be applied in the event of non-compliance?

One Member felt that there should not be a pre-requisite or conditions placed on elected Members for taking training. Others felt that training fitted into the spirit of the Nolan's principles of public life.

RESOLVED, that:-

- The feedback provided by Members through the informal engagement process be noted.
- It be recommended that the Policy and Resources Committee agree the way forward for matters relating to the Standards Regime as outlined in the minute above.

6. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE

There were no questions.

7. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no items of urgent business.

8. EXCLUSION OF THE PUBLIC

RESOLVED, that under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that

they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Item No.
9-11

Paragraph No.
3

9. **CITY FUND, CITY'S ESTATE AND BRIDGE HOUSE ESTATES - TURNOVER RENT PROPOSAL TO ASSIST CITY OF LONDON INVESTMENT TENANTS**

The Sub-Committee considered a report of the City Surveyor concerning a proposal on turnover rents to assist City of London investment tenants.

10. **CITY FUND - LEADENHALL MARKET TURNOVER RENTS**

The Sub-Committee considered a report of the City Surveyor concerning a proposal on turnover rents to assist City of London tenants at Leadenhall Market.

11. **CITY FUND - FUNDING STRATEGY 15/17 ELDON STREET EC2 AND 6 BROAD STREET PLACE EC2 REFURBISHMENT PROJECTS**

The Sub-Committee considered a report of the City Surveyor concerning a funding strategy for the refurbishment projects at 15/17 Eldon Street EC2 and 6 Broad Street Place EC2.

12. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

There were no questions.

13. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB-COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There was no urgent business.

The meeting ended at 12.25 pm

Chairman

Contact Officer: Emma Cunningham
emma.cunnington@cityoflondon.gov.uk

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Committee(s): Resource Allocation Sub Committee Policy and Resources	Date(s): 10 December 2020 10 December 2020
Subject: Capital Funding Update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	The schemes for which funding is now requested span across a range of corporate outcomes
Does this proposal require extra revenue and/or capital spending?	Yes
If so, how much?	£3.145m
What is the source of Funding?	£30k OSPR, £225k CIL, £1.351m City Fund Capital Reserves, £1.4m City's Cash and £139k BHE reserves.
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of: The Chamberlain	For Decision
Report author: Dianne Merrifield, Group Accountant	

Summary

This report follows on from previous papers on capital prioritisation and the 2020/21 round of annual capital bids.

The first round of annual capital bids for 2020/21 gave 'in principle' funding approval to 46 bids with a total value of £89m, together with 'in principle' internal loan funding of £47.7m. A subsequent re-prioritisation exercise identified several schemes for deferral which, after allowing for three new essential bids, has reduced the value of bids down to £85m. A schedule of the current bids is included in the Appendix for information. To date, drawdown of funding of £14.245m to progress twenty two schemes has been agreed.

This report now proposes the release of £3.145m to allow six schemes to progress, as summarised in Table 1: of which £2.825m is a drawdown against the new bids provisions, with a further £320k from the sums set aside for schemes agreed for progression outside of the fundamental review.

Table 1: Project Funding Requests	Next Gate-way	City Fund	City's Cash	Bridge House Estates	Total
		£000	£000	£000	£000
<u>Funding to progress to the next gateway</u>					
<u>Schemes agreed for progression outside of the Fundamental Review</u>					
(i) Wanstead Park Ponds	G.3 /4		40		40
(ii) Public Realm Security Programme	G.3 /4	225			225
(iii) St Lawrence Jewry Church (top-up)	G.5		55		55
<u>2020/21 New Bids</u>					
(iv) Lindsey Street Bridge	G.3 /4	30			30
<u>Full Funding for Scheme Implementation</u>					
(v) Property Management (OPN) System Replacement	G.5	338	180	27	545
(vi) Personal Device Replacement	G.5	1,013	1,125	112	2,250
Total Requested for Release of Funding		1,606	1,400	139	3,145

Of this sum, £2.825m relates to schemes with 'in principle' approval via the 2020/21 annual capital bids and £320k relates to schemes agreed for progression outside of the fundamental review.

Funding for these schemes can be met from the provisions set aside from the reserves of the three main funds: £30k from the On-Street Parking Reserve, £225k from CIL, £1.351m from City Fund capital reserves; £1.4m from City's Cash and £139k from Bridge House Estates reserves.

However, in view of the current financial position, Members will first wish to consider whether these schemes remain a priority for which funding should be released at this time.

Recommendations

Members are requested -

1. To review the six schemes listed in Table 1 (detailed in paragraph 7) and, in the context of the current financial climate, to confirm their continued essential priority for release of funding at this time.
2. To agree the release of up to £3.145m from the reserves of City Fund, City's Cash and Bridge House Estates as appropriate, subject to the approval of the relevant gateway reports.

Main Report

Background

1. As part of the fundamental review, Members agreed the necessity for effective prioritisation of capital and SRP projects, with central funding allocated in a measured way. This has been achieved via the annual capital bid process

which applies prioritisation criteria to ensure that corporate objectives are met and schemes are affordable.

2. The following criteria against which capital and supplementary revenue projects are assessed have been agreed as:
 - i. Must be an essential scheme (Health and Safety or Statutory Compliance, Fully/substantially reimbursable, Major Renewal of Income Generating Asset, Spend to Save with a payback period < 5 years.)
 - ii. Must address a risk on the Corporate Risk register; or the following items that would otherwise be escalated to the corporate risk register:
 - a. Replacement of critical end of life components for core services;
 - b. Schemes required to deliver high priority policies; and
 - c. Schemes with a high reputational impact.
 - iii. Must have a sound business case, clearly demonstrating the negative impact of the scheme not going ahead, i.e. penalty costs or loss of income, where these are material.

The above criteria were used as the basis for prioritising the 2020/21 annual capital bid submissions.

3. The scope of schemes subject to this prioritisation relates only to those funded from central sources, which include the On-Street Parking Reserve, Community Infrastructure Levy (CIL), flexible external contributions and allocations from the general reserves of City Fund, City's Cash or Bridge House Estates*. This means that projects funded from most ring-fenced funds, such as the Housing Revenue Account, Designated Sales Pools and Cyclical Works Programmes are excluded, together with schemes wholly funded from external grants, and tenant/ developer contributions e.g. under S278 agreements and most S106 deposits.

*Contributions from Bridge House Estates are limited to its share of corporate schemes such as works to the Guildhall Complex or corporate IT systems.

Current Position

4. The first year of the new annual capital bid process gave 'in principle' funding approval to 46 bids with a total value of £89m across the three main funds, together with 'in principle' internal loan funding of £47.7m. A subsequent re-prioritisation exercise identified several schemes for deferral which, after allowing for three new essential schemes, has reduced the value of bids down to £85m as summarised in Table 1 below. A detailed schedule of the latest successful bids is included in Appendix 1 for information.

Table 2: Summary of approved 2020/21 annual capital bids (across all years)			
	New Bids	Loan Facilities	Total
	£m	£m	£m
City Fund	66.5	37.1	103.6
City's Cash	17.6	10.6	28.2
Bridge House Estates	0.9	-	0.9
	85.0	47.7	132.7

5. To date, £14.245m has been drawn down to allow 22 of the 2020/21 capital bid-funded schemes to be progressed.
6. In addition to sums set aside for the new bids, there are also some remaining provisions for schemes previously agreed for progression outside of the fundamental review.

Proposals

7. Since October, three further schemes arising from the 2020/21 round of new bids and three schemes previously approved to continue outside of the Fundamental Review have progressed through the gateways, for which release of £3.145m is now requested. In the first instance, in the context of the current financial climate, Members will wish to confirm that these schemes remain a priority for funding to be released at this time. Details of the schemes are provided below:

(i)Wanstead Park Ponds – further drawdown of £40k to undertake additional survey to reach the next gateway

- This project was initiated to fulfil the City's statutory duties as reservoir owner of the ponds at Wanstead Park.
- It was originally expected that the works required would be similar in scope to the ponds at Hampstead Heath. The recent Panel Engineer's report indicates works of a lesser extent will be required, but has identified the need for a further study on the operation of the lower dams.
- This study will cost £70k, but after allowing for £30k of savings in the £150k initial budget, a further drawdown of £40k is now requested.
- The 'in principal' funding from City's Cash resources was agreed for this scheme to progress outside of the fundamental review in recognition of the essential statutory obligation.
- The total cost of the scheme is now much reduced from the £12m originally anticipated – the revised estimate currently stands at £750k - £1m.

(ii)Public Realm Security Programme – release of £225k to prepare for the next stage of security works

- Following the recommendations of the City Police Counter Terrorism Security Advisors, a programme of public realm security works was established in 2017 and since then works to numerous locations have been undertaken.
- In order to plan for the next stage of the programme, there is a request to draw down £225k to cover the costs of evaluation by the in-house DBE team, including ground investigations and specialist security advice.
- The essential costs of the security proposals were agreed for progression outside of the fundamental review, to be funded from CIL.

(iii) St Lawrence Jewry Church - £55k top-up to reach the next gateway

- This project is to undertake urgent backlog repair works to the Church.

- The request is for a top-up of £55k as a supplement to the existing approved budget of £417k to cover additional consultant fees and surveys required to reach gateway 5, to be met from City's Cash resources.
- A provision of £1.915m was agreed for this scheme as part of the fundamental review, from which this latest request can be drawn. The total estimated cost of the scheme currently stands at £4.6m, with the shortfall being subject to a bid for top-up funding via the 2021/22 annual capital bid process.

(iv) Lindsey Street Bridge Strengthening - £30k to reach the next gateway

- This project is to undertake strengthening works to meet current load bearing standards and other works to maintain the structural integrity and longevity of the bridge.
- The estimated cost of consultant fees, surveys and staff costs to reach the next gateway is estimated at £100k, of which £70k of external funding via the London Bridges Engineering Group (LoBEG) has been secured. This leaves a balance of £30k to be drawn down from central funding.
- 'In principle' funding was agreed for this essential scheme as part of the 2020/21 annual capital bids, to be met from the On Street Parking Reserve.

(v) Oracle Property Manager (OPN) System Replacement – £545k requested to implement the scheme

- This project is to secure a new, fit for purpose, property management system to take over from the current Oracle system which is nearing end of life.
- The 'in principal' funding was approved as part of the 2020/21 capital bids for the replacement of this business-critical system, to be met from the three funds on an apportioned basis.
- The request is for the immediate release of £93k for consultancy and legal support plus a costed risk allowance of £71k to reach the next gateway. Draw down of the remaining £381k to deliver the scheme is subject to authority to start work being granted at gateway 5.

(vi) Personal Device Replacement - £2.25m requested to implement the scheme

- This is a scheme to replace personal IT devices such as laptops, desktops and tablets across the organisation (excluding police).
- The 'in principal' funding was approved as an essential scheme as part of the 2020/21 capital bids on the grounds that the majority of existing devices reach the end of their useful lives during 2021. Funding will be drawn from the reserves of the three funds on an apportioned basis.
- The request is for the immediate release of £51k to reach the next gateway, with the remainder of the £2.25m being subject to authority to start work being granted at gateway 5.

The funding for each of these schemes can be met from the provisions set aside from the reserves of the three main funds which were either agreed as part of the fundamental review or the 2020/21 annual bids, subject to Members confirming the priority of these schemes for the release of funds at this time.

Conclusion

8. A total of £136.7m of central funding was agreed 'in principle' for the delivery of essential schemes and loan facilities as part of the 2020/21 annual capital bid process. This has subsequently been reduced by a net £4m to £132.7m following a reprioritisation exercise. Of this sum, £14.245m has previously been agreed for release. In addition, there are also some remaining provisions for schemes agreed for progression outside of the fundamental review.
9. Requests for the release of £3.145m to allow six schemes to progress are set out in Table 1 (details in paragraph 6). In the first instance, in the context of the current crisis, Members will wish to confirm that these schemes remain an essential priority for funding to be released at this time.
10. Of the six schemes, three have previously received 'in principle' approval via the 2020/21 annual capital bids (£2.825m) and three were agreed for progression outside of the fundamental review (£320k).
11. Funding for these schemes can be met from the provisions set aside from the reserves of the three main funds: £30k from the On-Street Parking Reserve, £225k from CIL, £1.351m from City Fund capital reserves; £1.4m from City's Cash and £139k from Bridge House Estates general reserves.

Appendices

Appendix 1– 2020/21 Approved Bids

Background Papers

- Annual Capital Prioritisation Report, 12 December 2019 (Non-Public).
- Prioritisation of Remaining 2020/21 Annual Capital Bids (Deferred from December 2019 Meeting), 23 January 2020 (Non-Public)
- Re-prioritisation of 2020/21 Approved Capital Bids, 18 September 2020 (Non-Public)

Dianne Merrifield

Group Accountant, Capital

Email: dianne.merrifield@cityoflondon.gov.uk

Appendix						THIS REPORT	
Approved Bids 2020/21							
Project Name	City Fund £'m	City's Cash £'m	BHE £'m	Total Funding Allocation £'m	Fundng Allocation After Re- prioritisation	Release of Funding Previously agreed	Release of Funding now requested
Critical End of Life Replacement							
Barbican Replacement of Art Gallery Chiller	0.300	-	-	0.300	0.300	0.018	
Car Park - London Wall Joints and Waterproofing	2.000	-	-	2.000	2.000	-	
Car Park - Hampstead Heath, East Heath Car Park Resurface	-	0.415	-	0.415	0.415	0.387	
Central Criminal Court - Replacement for Heating, Cooling and Electrics for the East Wing Mezzanine including the sheriff's apartments.	1.000	-	-	1.000	1.000	-	
Finsbury Circus Garden Re-instatement	2.558	-	-	2.558	2.558	0.081	
Guildhall - North and East Wing Steam Generator replacement – including Art Gallery	0.744	0.396	0.060	1.200	1.200	0.107	
Guildhall - West Wing - Space Cooling - Chiller Plant & Cooling Tower Replacement	1.860	0.990	0.150	3.000	3.000	0.174	
Guildhall event spaces - Audio & Visual replacement / upgrade	-	0.330	-	0.330	0.330	0.045	
Guildhall Yard - Refurbishment/ Replacement of Pavours	-	3.000	-	3.000	3.000	-	
I.T - Computer Equipment rooms (CER) Uninterrupted Power Supplies (UPS)Upgrades and Replacements	0.090	0.100	0.010	0.200	0.200	-	
I.T - Essential Computer (Servers) operating system refresh programme	0.068	0.075	0.008	0.151	0.151	-	
I.T - Personal device replacement (Laptops, Desktops and tablet/mobile device)	1.013	1.125	0.112	2.250	2.250	-	2.250
I.T - Rationalisation of Financials, HR & Payroll Systems	2.654	2.949	0.295	5.898	5.898	-	-
I.T - Telephony replacement	0.873	0.343	0.034	1.250	1.250	-	-
LMA : Replacement of Fire Alarm, Chillers and Landlords Lighting and Power	1.397	-	-	1.397	1.397	-	-
Oracle Property Management System Replacement	0.713	0.380	0.058	1.151	1.151	0.075	0.545
Structural - Lindsey Street Bridge Strengthening	5.000	-	-	5.000	5.000	-	0.030
Structural - Dominant House Footbridge	1.025	-	-	1.025	1.025	-	-
Structural - West Ham Park Playground Refurbishment	-	1.279	-	1.279	1.279	0.863	-
Fully or substantially reimbursable							
Barbican Turret John Wesley High Walk	0.043	-	-	0.043	0.043	0.043	-
Chingford Golf Course Development Project	-	0.075	-	0.075	0.075	-	-
High Profile Policy Initiative							
Bank Junction Transformation (All Change at Bank)	4.000	-	-	4.000	4.000	4.000	
Culture Mile Implementation Phase 1 incl CM experiments and Culture Mile Spine	0.580	-	-	0.580	0.580	0.580	-
I.T - Smarter working for Members and Officers	0.113	0.125	0.013	0.251	0.251	0.185	
Rough Sleeping - assessment hub	1.000	-	-	1.000	1.000	-	-
Rough Sleeping High Support Hostel - Option 3	0.500	-	-	0.500	0.500	-	-
Secure City Programme	15.852	-	-	15.852	15.852	2.728	
Statutory Compliance/Health and Safety							
Barbican Exhibition Halls	5.000	-	-	5.000	1.549	1.548	
Barbican Podium Waterproofing, Drainage and Landscaping Works (Ben Jonson, Breton & Cromwell Highwalk) Phase 2 – 1st Priority	13.827	-	-	13.827	13.827	1.517	-
Covid19 Phase 3 Transportation Response*	-	-	-	-	0.568	0.568	
City of London Primary Academy Islington (COLPAI) temporary site	-	0.300	-	0.300	0.583	0.583	
Golden Lane Lighting and Accessibility	0.500	-	-	0.500	0.500	-	-
Guildhall - Great Hall - Internal Stonework Overhaul	-	2.000	-	2.000	2.000	0.025	
Guildhall - Installation of Public Address & Voice Alarm (PAVA) and lockdown system at the Guildhall (Security Recommendation)	0.930	0.495	0.075	1.500	1.500	0.118	-
I.T - Critical Security Works agreed by the DSSC	0.112	0.125	0.013	0.250	0.250	-	-
I.T - GDPR and Data Protection Compliance in addition saving money in being able to share and find information quickly	0.090	0.100	0.010	0.200	0.200	-	
Confined and Dangerous Spaces - Barbican Centre	2.000	-	-	2.000	2.000	-	-
Confined and Dangerous Spaces - GSMD	-	0.400	-	0.400	0.400	-	-
Fire Safety - Car Park London Wall - Ventilation, electrics, lighting and fire alarm works	1.370	-	-	1.370	1.370	0.250	-
Fire Safety - Works in car parks	1.032	-	-	1.032	1.032	-	
Fire Safety - Frobisher Crescent, Barbican Estate (compartmentation)	0.550	-	-	0.550	0.550	0.800	
Fire Safety - Smithfield sprinkler head replacement and fire door replacement.	-	0.150	-	0.150	0.150	-	-
Queen's Park Public Toilet Rebuild	-	0.380	-	0.380	-	-	-
Spitalfields Flats Fire Door Safety	0.146	-	-	0.146	0.146	-	-
Spend to save with a payback < 5 years							
Energy programme of lighting and M&E upgrade works (Phase 1)	0.440	0.489	0.049	0.978	0.978	0.050	-
I.T - GDPR Compliance Project Unstructured data	0.112	0.125	0.013	0.250	-	-	-
Wanstead Flats Artificial Grass Pitches (spend to save > 5 years)	-	-	-	-	1.700	-	-
The Monument Visitor Centre	-	2.500	-	2.500	-	-	-
Total Approved Funding Bids	69.492	18.646	0.900	89.038	85.008	14.245	2.825
Loan Facilities							
City of London Police and Housing Revenue Account	37.100	-	-	37.100	37.100		-
City of London School	-	10.600	-	10.600	10.600	0.611	-
Total Loan Facilities	37.100	10.600	-	47.700	47.700	0.611	-
Total Central Funding	106.592	29.246	0.900	136.738	132.708	14.856	2.825

* excludes loss of OSPR income £336k

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Committee(s)	Dated:
Resource Allocation Sub-Committee	10 th December 2020
Subject: 2021/22 Budget Setting Update	Public
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Chamberlain	For Decision
Report author: Caroline Al-Beyerty Chamberlain's Department	

Summary

The aim of the 2021/22 budget round is to set us on the flight path to achieving a sustainable budget over the medium-term. Based on a number of key assumptions around business rate income, progress on the Target Operating Model (TOM) and forecast COVID impact, this translates into a requirement for an average saving in Corporation funding of 12%, adding up to £22m, across 2021/22 City Fund and City's Cash budgets.

Since the flight path and savings target were discussed in Resource Allocation Sub Committee in July, there have been four key developments, which taken together mean that we can set budgets that will keep us on the flight path trajectory, despite facing very challenging external pressures:

- Departmental Bilaterals between Service Committee Chairs / Chief Officers with senior Members of Resource Allocation Sub Committee and the Chamberlain. These have demonstrated a shared commitment to achieving the 12% savings. We are now in a position to propose resource caps consistent with this – in the case of Barbican and GSMD the savings will be applied, but there will be an income loss adjustment to the budget to reflect the impact of Covid, and the release of this income support will be monitored carefully and released in agreement with Chamberlains.
- Members have now agreed the architecture of the TOM, but detailed plans are still being worked through. Anticipated savings will only start to come through in the latter part of 2021/22, which means that in practice this should be seen as a transition year. This in turn has delayed some Fundamental Review savings, which have been put on hold pending the further work on the TOM. Such cases will be rephased to 2022/23.
- External factors – the Spending Review announcement on 25 November confirmed that there will not be a significant uplift in government funding, but the Chancellor announced a Public Sector Pay Freeze for most workers. The further reduction in CPI inflation should ease the pressure of living with flat cash budgets, from which the 12% savings will need to be achieved.
- The anticipated removal of business rate income growth has been delayed, in part due to COVID. On current assumptions, it means for City Fund that the anticipated income loss for the Barbican, for example, and loss of rent income can be absorbed, without a further drawdown on reserves, which are being built up to finance the Major Projects. But there remain significant risks around property rental income and other sources of revenue next year, which this will help to mitigate against.

The purpose of this report is to agree the budget envelopes that service committees will use to deliver their services in 2021/22. It is intended that business planning will address how service committees intend to focus their resources to achieve key outcomes in year. Work will continue with this Committee to identify further savings that can underpin medium plans for 2022/23 and beyond.

Central risk resources have also been considered. A change in the delivery model for the cyclical works programme by Corporate Assets Sub Committee has yielded a one-off windfall saving of £8m, as slippage in the current programme is addressed through prioritisation into an annual programme. Reductions have also been identified from the review of City Fund and City's Cash grant giving, work continues to agree funding amounts with stakeholders before reporting back to this Committee in January.

Key follow up themes for 2022/23 include:

- The need for a fuller grants review, especially where rolled over
- Consider the balance of Academy/ independent school support with modelling underway
- Scope for further restructuring, removal of duplication as part of the TOM review, and scope for introduction of greater pay flexibilities.

Recommendation(s)

- Note that as a result of bilateral discussions and commitments given on delivering 12% savings, aggregate savings of around £26.6m are being proposed, consistent with the Resource Allocation Sub Committee brief.
- Agree that resource envelopes at departmental level will be adjusted by the sums shown in the proposed savings column in appendix 1; the application of the 12% police savings will take account of any material funding changes arising from the police funding settlement announcement later this month.
- Agree, in principle, that a support package will be provided to the Barbican and GSMD for COVID impact to commercial income sources; amounts to be confirmed in light of spending review announcements on extension of the compensation scheme for Local Government, and to be monitored and held for release by agreement with Chamberlains.
- Agree that Fundamental Review savings, which have been put on hold pending the further work on the TOM, are to be rephased to 2022/23.
- Approve £8m reduction in 2021/22 cyclical works programme, subject to Corporate Asset Sub Committee confirmation.
- Note that work will continue with this Committee to identify further savings that can underpin medium plans for 2022/23 and beyond.
- Note that rental income is at risk for 2021/22 and further support is likely to be required from reserves.
- Note that the City Fund/City's Cash grants review is progressing with the aim of reducing overall spend through grants and will report to this committee's January meeting.

Main Report

1. The aim of the 2021/22 budget round is to set us on the flight path to achieving a sustainable budget over the medium-term. Based on a number of key assumptions around business rate income, progress on the Target Operating Model (TOM) and forecast COVID impact, this translates into a requirement for an average saving in Corporation funding of 12%, adding up to £21m, across 2021/22 City Fund and City's Cash budgets. There remain however significant downside risks on rental incomes and in the Barbican

revenue streams, which can be better managed as a result of the delay in the business rate reset of income growth.

2. Since the flight path and savings target were discussed in Resource Allocation Sub Committee in July, there have been four key developments, which taken together mean that we can set budgets that will keep us on the flight path trajectory, despite facing very challenging external pressures.
3. Departmental bilaterals between Service Committee Chairs / Chief Officers with senior Members of Resource Allocation Sub Committee and the Chamberlain. These have demonstrated a shared commitment to achieving the 12% savings. We are now in a position to propose caps consistent with this: in the case of the Barbican and GSMD, there is a commitment to securing 12% savings, alongside the income support that will be provided to address the Covid impact into next year.
4. The purpose of this report is to agree the budget envelopes that service committees will use to deliver their services in 2021/22. It is intended that business planning will address how service committees intend to focus their resources to achieve key outcomes in year. Work will continue with this Committee to identify further savings that can underpin medium term plans for 2022/23 and beyond.
5. Appendix 1 shows the allocation of the 12% savings for each department (linked to service committees)
6. The Bilateral meetings have focused on the 12% reduction in resource base that will be necessary. The following points should be noted:
 - Barbican and GSMD where due to ongoing COVID impact to commercial income sources, further COL support of £8.2m is requested. It is recommended that a support package be agreed including appropriate monitoring and release arrangements; amounts to be confirmed in light of spending review announcements on extension of the compensation scheme for Local Government;
 - Children and Community Services- where 12% alongside side reductions from the fundamental review, carry significant risk to service delivery, a 6% savings is therefore being proposed.
 - Police; discussions will continue on how the City of London Police could deliver the 12% savings on its funding from the City.
7. Savings discussed amount to potentially £18.6m. The table below compares the proposed savings to the flight path of savings required in the July MTFP.

	£m			
	City Fund		City's Cash	Total
Incremental saving required in 21/22 in MTFP flightpath (excl fundamental review)	12.3		8.8	21.0
12% savings	12.5		6.1	18.6
Cyclical works programme- one off				8.0
Potential saving identified				26.6
Support requested- Barbican, GSMD	(7.0)*		(1.2)	(8.2)
Potential savings after support				18.4

*Subject to adjustment on Government compensation scheme for 1st quarter

Challenge for departments and local risk budgets

8. **Achieving both the fundamental review savings and 12% target:** The 12% savings come on top of the fundamental review savings already removed from budgets. For some departments such as Surveyors, Barbican and Chamberlain's, the combined impact would be significant in 2021/22.
9. Members have now agreed the architecture of the TOM, but detailed plans are still being worked through. Anticipated savings will only start to come through in the latter part of 2021/22, which means that in practice this should be seen as a transition year. This in turn has delayed some Fundamental Review savings, which have been put on hold pending the further work on the TOM. Such cases will be rephased to 2022/23.
10. **Ongoing COVID impact:** Given the amount of support required for ongoing COVID impact at e.g. the Barbican, GSMD and on our property investment income stream, some support will need to be provided from Corporation reserves; although the delay in the anticipated removal of business rate growth means the loss of income at the Barbican and from investment properties can be absorbed for City Fund, without a further drawdown on reserves, which will be applied to financing the Major Projects.
11. **Flat cash and CPI:** The starting point for the 201/22 budget is 'flat cash' from the previous resource allocation in 2020/21, although provision has been made for pay increases. The Spending Review announcement on 25 November confirmed that there will not be a significant uplift in government funding and the Chancellor announced a Public Sector Pay Freeze for most workers. The further reduction in CPI inflation should ease the pressure of living with flat cash budgets, from which the 12% savings will need to be achieved. The 2021 Pay Award will be subject to discussion in the Establishment Committee.

Central risk

12. Central resources have also been considered, in three key areas:
 - Grants: A review of the City Fund/City's Cash grant giving is progressing with the aim of reducing overall spend through grants. The most material items are outlined in Appendix 2 and have been discussed with Service Committee Chairmen as part of the bilateral process:
 - Rental income from investment properties: Likely to have ongoing COVID impact and losses will require further support from reserves for City's Cash and BHE.
 - Cyclical Works Programme: There is considerable slippage on the work programme largely due to a lack of capacity, but also reprofiling works into future periods. Given the need to resource the most essential work first, Corporate Asset Sub Committee has considered the best way to progress and is establishing an annual programme for 2021/22 to be delivered in year. This provides a one-off saving of £8m of earmarked resource. This should not materially impact on the bow-wave and should be accompanied by further efforts to dispose of non-essential operational assets.

Issues raised during bilateral process

13. Education: Following the Tomlinson review, a per pupil funding model is being developed and is being considered by the Education Working Group- findings from this work may influence the balance of the funding between state and independent sector in 2022/23. Recommendations will not impact on 2021/22.
14. Employer: Greater flexibility in the application of standard Corporation terms and conditions for employees; so that sector norms may be accommodated.

Potential further mitigations

15. There are other levers that can be 'pulled' such as tax raising opportunities. The full 5% council tax increase allowed for in the spending review for example would raise £0.3m but if applied over the medium term would rise to over £1m a year additional income. A Business Rate Premium increase would make a more significant contribution to the finances. Given the impact to business during the COVID crisis, Members may consider that this is not the time for increases in business rate bills.

Conclusion

16. The bilateral process has demonstrated a shared commitment to achieving the 12% savings and we are now in a position to propose resource caps consistent with this. Covid related income adjustments will however be needed for the Barbican and GSMD. And Members will wish to consider an adjustment for Children and Community Services.
17. Members have now agreed the architecture of the TOM, but detailed plans are still being worked through. Anticipated savings will only start to come through in the latter part of 2021/22, which means that in practice this should be seen as a transition year. This in turn has delayed some Fundamental Review savings, which have been put on hold pending the further work on the TOM. Those cases will be rephased to 2022/23.
18. Key follow up themes for 2022/23 include:
 - The need for a fuller grants review, especially where rolled over
 - Consider the balance of Academy/ independent school support with modelling underway
 - Scope for further restructuring, removal of duplication as part of the TOM review.

Appendices

- Appendix 1 – Bilateral summary

Caroline Al-Beyerty
Chamberlain's Department

T: 020 7332 1113

E: Caroline.Al-Beyerty@cityoflondon.gov.uk

Appendix 1 - Bilateral Summary

Department	12% £000	Proposed £000	FR- 2021/22 £000	Total cumulative FR by this point
CLS	227	227	0	0
CLSG	91	91	0	0
Freemens'	105	105	0	0
Education Board	126	126	190	190
Barbican		-7,000	850	850
DCCS	1,300	650	181	595
Barbican Residential Cttee	400	400	35	
Libraries	284	284		
Culture & Heritage	700	700	Inc in TCs	
Culture- open spaces	27	27	0	0
Markets & CP	427	427	197	747
Page 20 Built Env't	2,423	2,423	478	821
Open spaces	1,556	1,556	5	30
Open spaces - crematorium	210	210	0	0
I&G	751	751	0	250
Mansion House & CCC	450	450	0	20
TC	1,142	1,142	96	185
Chamberlain's	2,890	2,890	1,165	1,212
Surveyors	3,600	3,600	500	1,448
City Solicitors	101	101	0	0
Remembrancers	200	200	0	85
TOTAL	17,010	9,360		

Department	12% £000	Proposed £000	FR- 2021/22 £000	Total cumulative FR by this point
RINGFENCED FUNDS				
GSMD		-1,200	440	500
Police		2,400 to 4,700	0	0
TOTAL LOCAL RISK		10,560 to 12,860		
OTHER- CENTRAL				
Grants		TBA		
CWP		8,000	0	1,000
TOTAL CENTRAL RISK		8,000		

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Committee(s)	Dated:
Resource Allocation Sub Committee Policy and Resources Committee	10 December 2020 10 December 2020
Subject: Capital Funding – Prioritisation of 2021/22 Annual Capital Bids – Stage 2 Proposals	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	These capital bids span all 12 outcomes of the Corporate Plan to some degree
Does this proposal require extra revenue and/or capital spending?	Yes
If so, how much?	£99.1m
What is the source of Funding?	Specific funding sources have been identified as detailed in the report
Has this Funding Source been agreed with the Chamberlain’s Department?	Yes
Report of: The Chamberlain	For Decision
Report author: Dianne Merrifield, Group Accountant (Capital)	

Summary

Members will recall that the annual capital bid process was introduced as a means of prioritising the allocation of central funding for capital schemes. In this second year, the process has been refined to allow additional consultation with senior Members and Chief Officers and also with Service Committee Chairs via the bilateral process. The ranking and prioritisation presented in this report is therefore an agreed position, demonstrating the increasing maturity of the annual bid process.

In October Members were advised of £104.8m of bids relating to projects of a capital nature. Based on the narrative supporting the bids, an assessment of how essential these schemes appear from a corporate perspective was undertaken using a RAG rating approach - resulting in £82.4m green, £14.1m amber and £8.3m red. Of the £82.4m green, £45.5m related to business as usual (BAU) and £36.9m to Climate Action.

Members agreed that this level of bids was unsustainable and therefore Chief Officers, in consultation with Service Committee Chairs, were requested to further consider priority ranking of schemes to identify the most critical bids. Members also agreed in principle that only the most urgent bids (rated green) should be progressed with those with a final rating of amber or red to be deferred.

Since then, through consultation it has been possible to reach an agreed position on the most urgent schemes and the Climate Action bids have been updated to accord with the latest position.

In addition, the City of London School for Girls (CLSG) has now re-ignited the previous RASC approval to a loan facility of up to £15.6m for their revised expansion plans - to

provide start-up funding for a new preparatory school (possibly as a joint venture with the City of London School (CLS)) and associated works to optimise the existing CLSG school site. At the time of preparing this report the amount is indicative subject to formal Board approval(s).

The updated bid position is set out in the table below:

Analysis by Category	Green £000	Amber £000	Red £000	Total Capital Bids	Net change
Total BAU	40,663	13,345	5,750	59,758	- 8,177
Climate Action	42,820	-	-	42,820	5,938
Total Bids before Loan Facility	83,483	13,345	5,750	102,578	- 2,239
Loan Facility	15,600	-	-	15,600	15,600
Total Central Funding Required	99,083	13,345	5,750	118,178	13,361
<i>Net change since October</i>	16,651	- 725	- 2,565	13,361	

Following the in principle decisions of RASC in October, this means that green bids totalling £83.5m (BAU £40.7m, Climate Action £42.8m) would be recommended for progression, together with the re-ignited loan facility of £15.6m, and red/amber bids of £19.1m would not be progressed at this time. The latest position represents a small net overall *increase* of £1m in green-rated bids since October which is somewhat contrary to expectations, however this is largely due to inclusion of £15.6m for the loan facility, representing cash flow support repayable within 7 years. The underpinning business as usual green rated bids have reduced by £8m.

Members will need to consider whether £83.5m of new capital spend is affordable, sustainable and prudent over the short to medium term – that it is deliverable and value for money, balancing the essential nature of the green bids (largely driven by health and safety/statutory/critical replacement needs) against the requirement to ensure that there is sufficient headroom to support future priorities.

In this regard the following is noted:

Within the £83.5m of green bids there are two exceptional items which mask the underlying level of the BAU request:

- i. £42.8m for Climate Action makes up almost half of the total value of the green bids which Members have agreed should be afforded the highest priority (although not at the expense of essential services).
- ii. £20m for the replacement of Fire Doors on the Barbican Estate which is a high profile, high priority health and safety scheme in the wake of the Grenfell fire.

The remaining green BAU bids amount to £20.7m across 23 schemes which demonstrates a more reasonable underlying level of essential schemes.

Furthermore, although these schemes are to commence during 2021/22, costs are anticipated to be incurred over the medium term as the typical lead-in time for projects mean that they routinely span across more than one financial year. Whilst this does not reduce the overall funding burden it potentially makes it more manageable, providing opportunity to accumulate any underspends towards costs in the later years, by which time some of the Climate Action savings should be realised.

Looking at affordability within each fund:

- £65.1m for **City Fund** is a challenge presenting some risk in the context of other financial pressures but it has been possible to accommodate a significant element of the funding requirement across a range of ring-fenced sources to spread this risk. This leaves a forecast draw down of £25m from the capital reserves which is considered prudent, based on the current anticipated capital reserve balances by the end of the planning period (c£70m). However, mitigating actions will be needed to supplement capital reserves through renewed efforts to identify surplus operational properties for disposal and to ensure that energy savings are realised through the Climate Action interventions.
- The latest version of the **City's Cash** MTFP indicates a prudent level of capital investment to be £10m, so a sum of £33.3m for City's Cash appears excessive. However, after allowing for the £15.6m loan repayable within 7 years and energy savings from climate action initiatives, the residual sum is considered to be manageable over the medium term providing future year's bids BAU bids are maintained at the current level.
- £620k for **Bridge House Estates** is a modest sum which is considered to be affordable.

Based on the above, Members should therefore note that the plans would be affordable, sustainable and prudent in the context of wider medium-term financial plans.

Approval of bids is 'in principle' at this stage, with drawdown from 1st April 2021 onwards being subject to progression via the normal gateway process including further approval by the Resource Allocation Sub and Policy and Resources Committees at Gateway 4(a).

Financial disciplines currently in place are proposed to be continued, including that funding will be withdrawn for centrally funded schemes that slip by more than one year and the ongoing operation of the 'one-in, one-out' approach to funding bids outside of the annual process.

Approval to the continuation of the loan facilities for the Police and HRA is also sought. £37m was approved across the medium term as part of last year's annual bid process of which £5m has so far been allocated for police in the current year. Current forecasts suggest a loan requirement of £5m for police and £25-£30m for HRA, which means that the £32m provision still seems reasonable, subject to confirmation when the service committee estimates are approved.

Recommendation(s)

Members are asked to:

1. Note and agree that the plans would be affordable, sustainable and prudent (refer to paragraphs 8-15).
2. Consider the green rated bids amounting to £83.5m detailed in the attached appendix , which represents the position agreed with Chief Officers and Service Committee Chairs, together with the re-ignited bid for loan funding of £15.6m for the City of London School for Girls.
3. Agree that provisions of £83.5m plus a loan facility of up to £15.6m (indicative at this stage) be made in the draft medium term financial plans of the three

funds and that appropriate contingencies be set aside for approval by the Finance Committee and Court of Common Council as part of the annual budget setting process.

4. Request that the Corporate Asset Sub and Projects Sub Committees closely scrutinise the scope of the St Lawrence Jewry repairs project to ensure that all value engineering opportunities are fully explored, with a keen eye on value for money.
5. Agree that the bids rated as amber detailed in the appendix be placed on a reserve list to be funded from savings in provisions for green rated schemes should their urgency escalate.
6. Agree that the financial disciplines currently in place be continued, whereby
 - central funding will be withdrawn for schemes that slip by more than one year; and
 - the operation of the 'one-in, one-out' approach to funding of bids outside of the annual process.
7. Agree to the carry- over of the unallocated provision of £32m of loan facilities previously agreed for the Police and HRA.

Main Report

Background

1. Departments submitted 51 bids for central capital funding from 2021/22 amounting to £146m of which £76m (13 bids) related to the Climate Action Strategy. The initial sift identified £104.8m relating to projects of a capital/SRP nature, with the remainder of £41m falling outside the scope of the capital funding bid process.
2. Most of the £104.8m of capital bid submissions were classified as essential and identified against one of the agreed prioritisation criteria. Based on the narrative supporting the bids, an assessment of how essential these schemes appear from a corporate perspective was undertaken using a RAG rating approach where:

Green = demonstrates the essential criteria	£ 82.4m
Amber = essential criteria less clear	£ 14.1m
Red = does not demonstrate essential criteria	<u>£ 8.3m</u>
	<u>£104.8m</u>
3. In October, Members of Resource Allocation Sub Committee:
 - Agreed that the remaining £104.8m of capital bids was currently unsustainable and therefore Chief Officers, in consultation with Service Committee Chairs, be requested to further consider ranking of schemes to identify the most critical bids, with innovation and reputational impact uppermost.
 - Subject to the outcome of Chief Officer rankings, agreed in principle that bids with a final RAG rating of amber and red be deferred.
 - Noted that the Climate Action Strategy bids would be subject to further review to confirm the priority of proposals.

Current Position

4. Since October, the following has taken place:

- Further consultation with Chief Officers and Service Committee Chairs on the priority rankings to agree the green ranked BAU bids.
- The Climate Action Team has critically reviewed the bid submissions in the context of the approved Climate Action Strategy and the figures now included accord with the latest position. It should be noted that funding for the ring-fenced services are excluded from this bid for central funding, including the HRA allocation of £2.12m.
- The City of London School for Girls (CLSG) has re-ignited a bid previously agreed by RASC for a loan facility of up to £15.6m to provide start-up funding for a new preparatory school (possibly as a joint venture with the City of London School (CLS)) and associated works to optimise the existing CLSG school site. At the time of preparing this report the above was an indicative position subject to formal Board approval(s).

This has resulted in a net reduction of £2.2m in capital bids, from £104.8m in October to £102.6m (BAU decrease of £8.1m partially offset by an increase of £5.9m in Climate Action bids) together with £15.6m for the re-ignited loan facility. The revised assessment is as follows:

Analysis by Category	Green £000	Amber £000	Red £000	Total Capital Bids	Net change
BAU:					
Critical End of Life Replacement	2,858	3,200	-	6,058	-
Statutory Compliance/Health and Safety	32,341	9,645	400	42,386	- 6,177
High Profile Policy Initiative	5,089	-	-	5,089	-
Spend to save with a payback < 5 years	375	500	5,350	6,225	- 2,000
Total BAU	40,663	13,345	5,750	59,758	- 8,177
Climate Action	42,820	-	-	42,820	5,938
Total Bids before Loan Facility	83,483	13,345	5,750	102,578	- 2,239
Loan Facility	15,600	-	-	15,600	15,600
Total Central Funding Required	99,083	13,345	5,750	118,178	13,361
<i>Net change since October</i>	<i>16,651</i>	<i>- 725</i>	<i>- 2,565</i>	<i>13,361</i>	

With a slightly refined definition where:

Green = demonstrates the essential criteria *for the highest priority bids*

Amber = essential criteria less clear */lower priority, less urgent bids*

Red = does not demonstrate essential criteria.

5. Following the decisions of RASC in October, this means that green bids totalling £83.5m (BAU £40.7m, Climate Action £42.8m) would be recommended for progression, together with the loan facility of £15.6m and red/amber bids of £19.1m would not be progressed at this time.
6. A schedule of the green bids is appended to the report for review. However, there is one particular bid to draw to Members' attention re top-up funding of £2.6m for the St Lawrence Jewry Church repairs (in addition to the £2m of 'in principle' funding previously agreed). This was moved from red to green following the City Surveyor's top priority ranking and brings the total cost of the works to £4.6m. Whilst the works are clearly essential on health and safety grounds, there is nevertheless a challenge regarding the significant cost – to be funded in-full from City's Cash resources. To address this concern it is

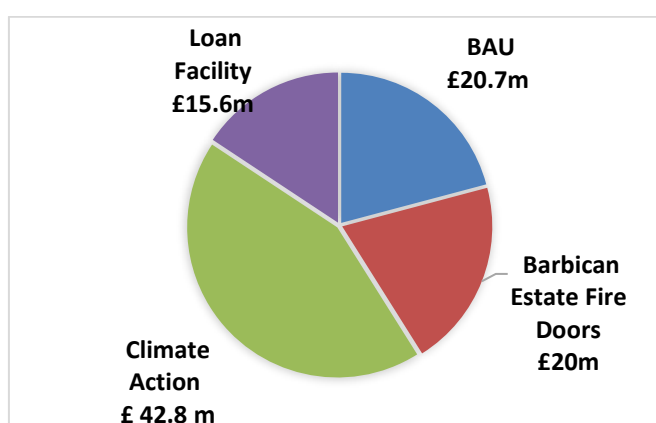
therefore proposed that the Corporate Asset Sub and Projects Sub Committees be requested to closely scrutinise the scope of the works to ensure that all value engineering opportunities are fully explored, with a keen eye on value for money.

7. A further proposal was also discussed with Chief Officers, to recognise that the amber bids (£13.3m) are essential and will need to be funded at some time. It is proposed that they be placed on a standby list so that in the event of a green bid being later withdrawn or costing less, the funding headroom could be diverted to allow an amber scheme to be taken forward should it become more urgent (i.e. following the principle of 'one-in, one-out').

Consideration of Green Bids

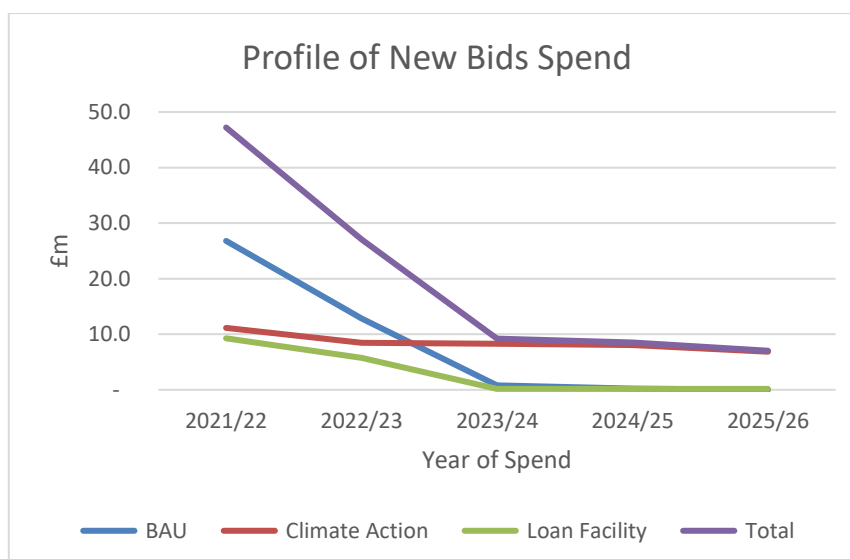
8. Whilst the net cost of *green* BAU bids has decreased by £4.9m, Climate Action bids have increased by £5.9m, a small net *increase* of £1m since October, which is somewhat contrary to expectations, plus cash flow funding of £15.6m for a loan facility repayable within 7 years. **Members will therefore need to consider whether £83.5m of new capital spend is affordable, sustainable and prudent** over the short to medium term – that it is deliverable and value for money, balancing the essential nature of the green bids (largely driven by health and safety/statutory/critical replacement needs) against the requirement to ensure that there is sufficient headroom to support future priorities. In addition, provision for the loan facility of £15.6m will also need to be factored in. The following considerations should be taken into account:
 - To set these bids in to some context, £89m (excluding internal loan facilities) was approved in principle for the 2020/21 capital bids. However, at that time it was anticipated that such a high level was exceptional and not sustainable on an ongoing basis alongside other financial priorities and pressures, such as the major projects and balancing the revenue budgets.
 - Analysis of centrally funded schemes over recent years gives a broad average of £30m per annum which may suggest that the current level of bids is high.
 - However, within the £83.5m of green bids there are two exceptional items which mask the underlying level of the BAU request:
 - i. £42.8m for Climate Action makes up almost half of the total value of the green bids. These arise from the high profile, high priority and ambitious strategy which aims to lead by example to deliver longer term benefits and future revenue savings which have yet to be quantified. Members have agreed that Climate Action should be afforded the highest priority (although not at the expense of essential services).
 - ii. £20m for the replacement of Fire Doors on the Barbican Estate which is a high profile, high priority health and safety scheme in the wake of the Grenfell fire.
 - In addition provision for the loan facility of £15.6m also needs to be factored in.
 - i. Members may recall that a loan facility of £15.3m was previously agreed for the CLSG expansion proposal which was subsequently dropped. Pending development of a revised CLSG

expansion plan, £10.6m from this loan facility was reallocated for the Boys' School Master Plan. CLSG has now developed a revised expansion plan involving a property previously used for education purposes that can be fairly easily and speedily adapted for a new preparatory school (possibly in collaboration with CLS) in time for a September 2022 intake, together with associated works to optimise the existing site. This requires a loan facility of the order of £15.6m repayable over 7 years and therefore in principle approval to effectively re-ignite the previous loan facility is sought at this stage. All of the above is indicative at this stage and subject to various Board approvals. A further report will be submitted in due course to confirm the amount and repayment period once the detailed financial modelling is complete and the business case developed.



As can be seen from the chart, the remaining green BAU bids amount to £20.7m across 23 schemes which demonstrates a more reasonable underlying level of essential schemes.

- It should be noted that although these schemes are to commence during 2021/22, costs are anticipated to be incurred over the medium term as the typical lead-in time for projects mean that they routinely span across more than one financial year. In particular, the costs of the Climate Action bids are spread fairly evenly across the planning period, whereas the BAU schemes are more front-ended.



Whilst this does not reduce the overall funding burden it potentially makes it more manageable, providing opportunity to accumulate any underspends towards costs in the later years, by which time some of the Climate Action savings should be realised.

Affordability

9. In order to further assess affordability, the £83.5m of green bids (BAU £40.7m, Climate Action £42.8m) together with the loan facility of £15.6m have been identified against the relevant fund as summarised below:

Analysis of GREEN Bids by Category/ Fund	City Fund £000	City's Cash £000	BHE £000	Total Capital Bids
BAU:				
Critical End of Life Replacement	1,663	1,127	68	2,858
Statutory Compliance/Health and Safety	25,577	6,736	28	32,341
High Profile Policy Initiative	4,739	350	-	5,089
Spend to save with a payback < 5 years	194	181	-	375
Total BAU	32,173	8,394	96	40,663
Climate Action	32,925	9,351	544	42,820
Total Bids before Loan Facility	65,098	17,745	640	83,483
Loan Facility	-	15,600	-	15,600
Total Central Funding Required	65,098	33,345	640	99,083
<i>Net change since October</i>	<i>+4,634</i>	<i>+1,297</i>	<i>+120</i>	<i>+6,051</i>

City Fund

10. The level of City Fund green capital bids has increased overall by £4.6m to £65.1m since October, comprising an increase of £9.2m in Climate Action, partially offset by a reduction of £4.6m in BAU. The following funding sources have been identified:

City Fund Green Bids - Possible Funding Sources	BAU	Climate Action	Total
CIL	6,877	3,500	10,377
On Street Parking Reserve		12,850	12,850
Revenue Reserves	3,000		3,000
Capital Reserves	22,296	3,000	25,296
Additional Operational Property Disposals	-	4,340	4,340
Temporary cash flow funding in lieu of energy savings		9,235	9,235
Total City Fund Green Bids	32,173	32,925	65,098

Of the 65.1m total:

- £10.4m can be funded from CIL balances and £12.9m from the On-Street Parking Reserve. It is considered that this level of draw-down from these ring-fenced sources can be accommodated from within the forecast balances available.
- £3m from revenue reserves to meet certain project costs that cannot be capitalised (e.g. feasibility and option appraisal costs). This amount will be modelled in to the MTFP.
- Based on the current anticipated capital reserve balances by the end of the planning period (c£70m), a maximum draw down of around £25m is considered prudent at this stage (subject to confirmation of the final position on the City Fund MTFP). This will leave a limited balance of capital reserves to cover future capital requirements (subsequent annual capital bid rounds, unforeseen costs arising from the operational estate etc) over the remainder of the planning period and beyond. Efforts will need to be renewed, drawing on our strengthened asset management practices, to identify surplus operational property for disposal to bolster the capital reserves with minimal impact on income.
- Whilst there is no Designated Sales Pool in City Fund, it is proposed that proceeds from the disposal of operational properties be targeted to provide funding for the investment property Climate Action initiatives which amount to £4.3m.
- The Climate Action initiatives are expected to generate significant energy savings over time; it is therefore proposed that cash flow funding of £9.2m to bridge the funding gap be identified from revenue balances over the medium term pending the receipt of these savings.

11. In conclusion, funding for new capital bids of £65.1m is a challenge presenting some risk to City Fund. It has been possible to accommodate the funding requirement across a range of ring-fenced funding sources to spread the risk, leaving a drawdown of £25m from an anticipated capital reserves balance of £70m at the end of the planning period. This is considered prudent, albeit that mitigating actions will be needed:

- to bolster up capital reserve balances through renewed efforts to identify surplus operational properties; and
- to ensure that energy savings are maximised to backfill the temporary cashflow funding.
- Residual cash flow funding of £9.2m pending the realisation of energy savings is in accordance with the Climate Action Funding Strategy.

City's Cash

12. City's Cash bids have reduced by £3.7m to £17.7m since October (BAU -£0.3m and Climate Action -£3.4m) before allowing for the loan facility of £15.6m which gives capital funding of £33.3m required in total. The whole of the £33.3m would fall to be funded from general balances although, as City's Cash does not hold large cash reserves, some asset disposals of either financial investments or property will be required.
13. The latest version of the City's Cash MTFP indicates a prudent level of capital investment to be £10m so a sum of £33.3m appears excessive. However, £15.6m will be recovered via loan repayments from CLSG over an anticipated 7-year period, and there will also be energy savings arising from the climate action initiatives.
14. In conclusion, whilst the £33.3m of green bids is much higher than the £10m target level, after allowing for £15.6m that will be recoverable over 7 years, the residual sum is considered to be manageable over the medium term providing future year's bids BAU bids are maintained at the current level.

Bridge House Estates

15. Bridge House Estates green bids amount to £620k, comprising Climate Action £544k and BAU £96k. These relatively modest sums are considered to be affordable. Note that costs of Climate Action relating to BHE investment property will be funded from the designated sales pool which is part of the permanent endowment.

Reinforcing Financial Discipline

16. In summary, based on the above assessments, Members should note that the plans would be affordable, sustainable and prudent in the context of wider medium-term financial plans and the additional financial disciplines outlined below.
17. As previously reported, it is evident from annual capital outcome reports that the capital programme regularly experiences significant slippage. Although service committees have the ambition to embark on capital schemes there have been project management capacity and capability issues which have caused delays and over time priorities sometimes change. Various initiatives to improve project and programme management have commenced and whilst the Project Management Academy is now in place the recruitment freeze has constrained capacity. To sit alongside initiatives to improve skills, the following financial disciplines have also been introduced:
 - a. Where projects slip by more than one year, central funding for schemes will be withdrawn unless an exceptional case is agreed by the Resource Allocation Sub Committee. It is intended to undertake a review in February/March 2021 to identify any schemes which have not been progressed from the funding agreed as part of the fundamental review

and 2020/21 annual capital bid round. This will ensure that funding is available to direct to the highest priority areas.

- b. The 'one-in, one-out' approach will be adopted when considering additional central funding requests arising outside of the annual bid process.
18. In December 2019 Members agreed in principle to provide loan funding to the Police and HRA up to the limit of how much each can afford to pay in accordance with the City Fund Minimum Revenue Provision Policy, providing that the schemes financed through the loans meet the prioritisation criteria. Approval to a loan funding provision of up to £37m across the medium term was agreed as part of the 2020/21 bids. Some £5m of this provision has been released for the Police, and the indicative sums required for 2021/22 are a further £5m for Police and £25m – £30m for HRA (which may incorporate a loan for the HRA climate action initiatives £2.12m). Approval to carry over the remainder of last year's provision is therefore sought at this stage, with the final sums required to be built into the final version of the City Fund MTFP to confirm affordability.

Report author

Dianne Merrifield

Group Accountant, Capital

E: dianne.merrifield@cityoflondon.gov.uk

T: contact via Teams whilst working from home

Appendices: 2021/22 Annual Capital Bids – Green/Amber/Red

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Bids that meet the Funding Criteria		PROPOSED GREEN BIDS FOR APPROVAL			
Project Name	Departmental Ranking	City Fund £'m	City's Cash £'m	BHE £'m	Total Funding Allocation £'m
Critical End of Life Replacement					
OSD - Tower Hill Play Area Replacement Project	1	0.120			0.120
SVY - BEMS Upgrade Project-CPG Estate – Phase 1	1	0.507	0.375	0.022	0.904
SVY - Smithfield Condenser Pipework Replacement	1		0.564		0.564
CHB - IT SD WAN /MPLS replacement	1	0.320	0.145	0.035	0.500
CHB - IT LAN Support to Replace Freedom Contract	2	0.096	0.043	0.011	0.150
CHB - Libraries IT Refresh	1	0.220			0.220
BBC - Barbican Centre - Catering Block Extraction	2	0.400			0.400
High Profile Policy Initiative					
DBE - Secure City Programme Year 2	1	4.739			4.739
SVY - Guildhall Complex Masterplan - initial feasibility and design work	1		0.350		0.350
Statutory Compliance/Health and Safety					
DCCS - Fire Doors Barbican Estate	1	20.000			20.000
SVY - St Lawrence Jewry Church - Essential works (Top-Up Funding)	1		2.565		2.565
SVY - Denton Pier and Pontoon Overhaul Works	2	1.000			1.000
OSD - Hampstead Heath Swimming Facilities - Safety, Access and Security Improvements	2		0.755		0.755
DBE - Public Realm Security Programme	2	1.238			1.238
DBE - Beech Street Transportation and Public Realm project (Top-Up Bid)	2	0.900			0.900
MAN - Central Criminal Courts, Fire Safety and associated public address system (Top-up bid)	1	0.683			0.683
MAN - Central Criminal Court Cell Area Ducting and Extract System Balancing	2	1.000			1.000
SVY - Riverbank House, Swan Lane - repairs to foreshore river defence	1	0.500			0.500
CHB - Public Services Network replacement	2	0.064	0.029	0.007	0.100
GSMD - Guildhall School - Silk Street Ventilation Heating and Cooling	1		2.000		2.000
GSMD - Guildhall School - Milton Court Correction of Mechanical Systems	1		0.600		0.600
GSMD - Guildhall School - John Hosier Ventilation and Temperature Control	1		0.700		0.700
CHB - IT Security	1	0.192	0.087	0.021	0.300
Spend to save with a payback < 5 years					
SVY - Energy Reduction Programme – Phase 2	1	0.194	0.181		0.375
Sub-Total - Bids Fulfilling the Funding Criteria excluding Climate Action		32.173	8.394	0.096	40.663
Climate Action :					
DBE - Public Realm - City Fund		6.050			6.050
OSD - Climate Action Strategy			2.120		2.120
DBE - Embed climate resilience measures into Public Realm		6.800			6.800
SVY -Energy Efficiency / Net Zero Carbon - Investment Estate - City Fund		4.340			4.340
SVY - Energy Efficiency / Net Zero Carbon - Investment Estate - Strategic Estate City Fund		0.000			-
SVY - Climate Resilience Measures		4.000	0.000		4.000
SVY - Climate Action Strategy Projects CPG Operational Properties		11.735	7.231	0.544	19.510
SVY - Climate Action Strategy Projects IPG City Fund Investment Properties		0.000			-
Sub-Total - Climate Action		32.925	9.351	0.544	42.820
Total Bids Fulfilling the Funding Criteria (excluding Loans)		65.098	17.745	0.640	83.483
Loan Funding					
City of London School for Girls Loan for Expansion Plans			15.600		15.600
Total Green Funding Bids (including Loans)		65.098	33.345	0.640	99.083

Essential criteria less clear/meet the funding criteria but not essential now			PROPOSED AMBER BIDS (RESERVE LIST)			
Project Name	Departmental Ranking	City Fund £'m	City's Cash £'m	BHE £'m	Total Funding Allocation £'m	
Critical End of Life Replacement						
OSD - Parliament Hill Athletics Track Resurfacing	3	2.000			2.000	
OSD - Hampstead Heath Pergola superstructure repair and replacement	4	1.200			1.200	
Statutory Compliance/Health and Safety						
DCCS - Golden Lane Leisure Centre Site Restoration Project	2	0.250			0.250	
SVY - Guildhall - Old Library - Stonework Overhaul/Repainting	4	0.720			0.720	
MAN - Central Criminal Court Lighting System Replacement South Wing Courts	3	2.000			2.000	
CHB - Efficiency Transformation / Recovery - Robotics	3	0.304	0.138	0.033	0.475	
CHB - GDPR Compliance Project Unstructured data	3	0.112	0.125	0.013	0.250	
DBE - Safe, accessible Square Mile for walking	3	5.950			5.950	
Spend to save with a payback < 5 years						
SVY - Guildhall North and West Wing - Modular Lighting System Controls Replacement (Advisable)	3	0.235	0.250	0.015	0.500	
Total Funding Bids not considered essential now		8.851	4.433	0.061	13.345	

Bids proposed for Deferral					
Project Name	Departmental Ranking	City Fund £'m	City's Cash £'m	BHE £'m	Total Funding Allocation £'m
Statutory Compliance/Health and Safety					
CHB - IT Data Readiness for Data Observatory and Open Data	4	0.160	0.072	0.018	0.250
CHB - IT Data Mastering, Distribution and Compilation	4	0.096	0.044	0.010	0.150
Spend to save with a payback < 5 years					
CHL - The Monument Visitor and Education Centre	6		2.500		2.500
BBC - Barbican Centre - Redevelopment of Levels 1 & 2 Restaurant, Creative Learning and Commercial (Event) Spaces	1	2.850			2.850
Total Bids Proposed for Deferral		3.106	2.616	0.028	5.750

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Committee(s)	Dated:
Streets and Walkways Sub Resource Allocation Sub Committee Project Sub Committee	1 December 2020 10 December 2020 17 December 2020
Subject: Review and prioritisation of ring-fenced S106 deposits	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	1, 2, 9-12
Does this proposal require extra revenue and/or capital spending?	Y
If so, how much?	£1.48m
What is the source of Funding?	Section 106 deposits
Has this Funding Source been agreed with the Chamberlain's Department?	Agreed
Report of: Director of the Built Environment	For Decision
Report author: Melanie Charalambous	

Summary

This report seeks approval for a further allocation of ring-fenced S106 funds, consistent with previous Member approvals and corporate priorities. This is the third report in a series with the specific aim of providing accurate financial information on available S106 deposits, establishing Member priorities for the use of these funds and allocating those funds accordingly.

Members approved the use of a total of £7.5M in S106 funding across two previous reports. This current report proposes the allocation of a further £1.48m of S106 funds. These S106 deposits are restricted in geographic scope and purpose to transportation and public realm improvements within the Square Mile and the proposed allocation is consistent with the agreed terms of the fundamental review and capital bid prioritisation. It is therefore proposed through this report to allocate S106 funds to priority projects that mitigate the impact of developments from which these funds were generated.

Excluding the proposed allocation of funds in this report, there is approximately £2.4M in ring-fenced S106 funding, linked to multiple S106 agreements or clauses, still to be allocated. These agreements require some form of variation before they can be considered for future use. In addition, further available funds are anticipated in 2021, following the completion of existing projects and verification of the relevant accounts. The exact amount of unspent S106 funds that will be available for allocation following completion of current projects is not yet known. However, a further report will be brought to Committee with information and recommendations in relation all these remaining S106 deposits at the appropriate time.

Recommendation(s)

It is recommended that Members:

- i. Authorise the allocation of £1.48M in ring-fenced S106 funding outlined in this report.
- ii Note that a further report is planned in 2021 with information on the remaining unallocated S106 deposits.

Main Report

Background

1. In December 2018, a report was approved by committees that set out the proposed prioritisation of projects within the Built Environment directorate and included the allocation of £3.6m of unallocated S106 monies to existing projects.
2. In June and July 2019, Members approved a report that allocated £3.9m of S106 funding to high priority DBE projects to mitigate the impacts of developments from which the funds were generated.
3. The 2019 report also set out the methodology and ranking of DBE projects following the completion of a prioritisation exercise and authorised officers to re-negotiate the use of any remaining S106 deposits that require a variation in mitigating the impacts of the developments, consistent with corporate priorities. A summary of the results of the prioritisation exercise are included in Appendix 2.

Current Position

4. Officers have undertaken a review of the remaining S106 funds that are available, including those sums identified through recent outcome reports and have begun the process of renegotiation where applicable.
5. Officers have also reviewed the DBE prioritised projects in light of the fundamental review, recent capital bids and the consideration of recent strategic changes, including the adoption of the Climate Action strategy and the implications of Covid-19.
6. This report requests authorisation to allocate £1.48m of remaining S106 monies that do not require renegotiation. Please refer to Appendix 1 for further details.

Approach to funding allocation

7. The sums available are restricted in geography and purpose to transportation and public realm improvements within the Square Mile.

8. S106 funds must be allocated to projects and activities that mitigate the impact of developments from which these funds were generated.
9. The proposed allocation is consistent with the agreed terms of the fundamental review and capital bid prioritisation.
10. The allocation of the funds falls into three main categories:
 - Member approved projects that are eligible for receipt of additional funding, including S106
 - Member approved projects that have had a funding allocation from TfL withdrawn in 2020/21 and are eligible to receive S106 funding up to level of the approved budget
 - New projects and activities supporting corporate priorities, specifically those connected with the Climate Action Strategy, Secure City Programme, 5G infrastructure roll-out and the Recovery and Equality and Diversity Taskforces.
11. Members should note that the projects and proposals that are receiving funding will continue to be subject to approvals at Committees in accordance with the Project Procedure.

Corporate & Strategic Implications

12. Strategic implications – The allocation of S106 funds as described in this report supports the outcomes of the Corporate Plan, particularly the key aims of contributing to a flourishing society and shaping outstanding environments. Officers have also had regard to the Transport Strategy and the Climate Action Strategy along with the emerging work of the Recovery task force amongst other corporate priorities in making these recommendations.
13. Financial implications – The allocation of S106 funds as described in this report support of the outcomes of the Corporate Plan. The use of ‘non *de-minimis*’ funds is in accordance with the terms of the respective legal agreements to which the relevant S106 deposits relate. Funds categorised as *de minimis* in Appendix 1 represent small amounts of funding where there is a residual risk that signatories of the S106 agreements may request the return of funds. This risk is mitigated by the proposed use of these funds remaining consistent with the spirit of these S106 agreements.
14. Legal implications - Any S106 payments made and held for specific purposes will be spent on the purposes for which they are held or to address the impacts of specific developments, in accordance with the City's obligations under the relevant S106 Agreements unless these agreements are specifically re-negotiated with the relevant parties. The s106 funds are time limited. Each s106 allows a period of 10 years from completion of the respective Developments for any contributions to be spent, after such time, the remaining funds must be returned to the owner with all accrued interest unless the owner's agreement is secured to approve the reallocation of funds.

15. Equalities implications – The priority projects outlined in this report have all been subject to Equality Impact Assessments. Assessments will also be carried out for new project proposals to ensure that all equalities implications are identified and positively addressed.

16. Climate implications – The review and prioritisation exercise has been undertaken in line with the Climate Action Strategy and the projects will deliver on the actions that Members have agreed.

Conclusion

17. Officers have undertaken a review of DBE prioritised projects in light of the fundamental review, recent capital bids and the consideration of recent strategic changes, in order to appropriately allocate £1.48m of remaining ring-fenced S106 monies.

Report author

Melanie Charalambous, Group Manager, City Public Realm, Department of the Built Environment

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