

<b>Committee(s):</b> Resource Allocation Sub Committee Policy and Resources	<b>Date(s):</b> 22 October 2020 22 October 2020
<b>Subject:</b> Capital Funding Update	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	The schemes for which funding is now requested span across a range of corporate outcomes
<b>Does this proposal require extra revenue and/or capital spending?</b>	Yes
<b>If so, how much?</b>	£5.42m
<b>What is the source of Funding?</b>	£4m OSPR, £550k CIL, £800k City Fund Capital Reserves, £70k City's Cash reserves.
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	Yes
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> 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 at Appendix 1 for information. To date, drawdown of funding of £10.203m to progress seventeen schemes has been agreed.

This report now proposes the release of £5.42m as summarised in Table 1:

<b>Table 1: Project Funding Requests</b>		<b>Next Gate-</b>	<b>Funding Status</b>	<b>City Fund</b>	<b>City's Cash</b>	<b>Total</b>
				£000	£000	£000
<u>2020/21 New Bids/Approved for Progression Outside of Fundamental Review</u>						
<u>Funding to progress to the next gateway</u>						
(i)	Guildhall - Great Hall Internal Health and Safety and Restoration	G.3 /4	2020/21 New Bid		25.0	25.0
(ii)	Guildhall Event Spaces AV replacement	G.3 /4	2020/21 New Bid		45.0	45.0
<u>Funding for Scheme Implementation/Top-up</u>						
(iii)	Bank Station Improvements (All Change at Bank)	G.5	2020/21 New Bid	4,000.0		4,000.0
(iv)	Beech Street Transportation and Public Realm - additional funding	G.6	Fundamental Review	550.0		550.0
(v)	Frobisher Crescent Fire Safety Works	G.5	2020/21 New Bid	550.0		550.0
"	NEW BID for top-up funding	"	NEW BID	250.0		250.0
	<b>Total Funding Requested for Release</b>			<b>5,350.0</b>	<b>70.0</b>	<b>5,420.0</b>

Of the five schemes, four have previously received 'in principle' approval via the 2020/21 annual capital bids and one (Beech Street) was agreed for progression outside of the fundamental review. However, the cost of the Frobisher Crescent fire safety works has increased and therefore top-up funding of £250k is now requested. Applying the principle of 'one-in one-out' compensating reductions in another City Fund scheme has been identified.

Therefore, the full £5.42m can be met from the provisions set aside from the reserves of the three main funds: £4m from the On-Street Parking Reserve, £550k from CIL, £800k from City Fund capital reserves and £70k from City's Cash 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 five schemes listed in Table 1 (detailed in paragraph 6) and, in the context of the current crisis, to confirm their continued essential priority for release of funding at this time.
2. To agree to an increase of £250k in the central funding allocated to the Frobisher Crescent fire safety works to be offset by a compensating reduction in the car park fire safety funding allocation.
3. That subject to recommendations 1 and 2, to agree to the release of up to £5.42m for the five schemes from the reserves of City Fund and City's Cash as set out in Table 1, 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**

#### Approved 2020/21 Annual Capital Bids

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. Provisions were included in the medium-term financial plan to demonstrate affordability – used as the basis for the 2020/21 budgets agreed by the Finance Committee and Court of Common Council.

## Proposals

### Current Requests for Release of Funding

6. Since July, four further schemes arising from the 2020/21 round of new bids and one scheme approved to continue outside of the Fundamental Review have progressed through the gateways, for which release of £5.42m is now requested (including top-up funding of £250k). In the first instance, in the context of the current crisis, 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) Guildhall Great Hall Internal Health and Safety and Restoration Works - £25k now requested to reach the next gateway

- The project seeks to resolve the health and safety concerns over the medieval interior stonework and 1950's ceiling timberwork after a series of incidences of falling stone and timberwork. There are also concerns regarding the fixings into the stonework/panelling that hold the sword & mace and other substantial artefacts as these are loose in some places.
- This project was originally expected to be undertaken in 2022/23 and would have required an arched movable scaffold to enable works to be undertaken in phases over nine months while events continued at a reduced capacity. However due to Covid 19 restrictions, commercial and City hospitality events in the Great Hall are suspended, meaning that a less elaborate scaffold and a much shorter works period of four to five months would be possible and could generate savings.
- The 'in principal' funding approval was based on the health and safety concerns arising from the falling stonework and timberwork at a total estimated cost of up to £2m.
- Given the need to construct a scaffold, there is an opportunity to also inspect the 1950's stained-glass glazing for lead creep which can result in the loss of glass which is also a health and safety matter. The glazing works are additional scope, but options to undertake this works at the same time as the timber and stonework repairs will be explored for further consideration.

- A detailed survey by a historic buildings architect was undertaken over the summer via the CWP. The current request is to draw down funds of £25k to determine the essential works required, informed by the detailed survey.

(ii) Guildhall event spaces AV replacement / upgrade – £45k now requested to reach the next gateway

- The project is for the replacement of the existing end-of-life analogue AV system and equipment in Guildhall's eleven event spaces with a new, separate digital network and upgraded infrastructure and equipment, in order to continue to support the delivery of both City Corporation and commercial events.
- This business case for this project is now deemed to be more pressing as a result of Covid-19, with demand for more extensive virtual and technological elements (including mixed virtual and physical ('hybrid') events).
- The 'in principal' funding approval was based on the essential need to replace the critical end of life AV systems for the Guildhall event spaces at a total estimated cost of up to £330k.
- The release of £45k of funding now requested is for the installation of high density wi-fi and hard wired connectivity (Phase 1) and surveys to inform the options for the AV equipment purchase (Phase 2) at the next gateway.

(iii) Bank Junction Improvements Project: All Change at Bank - £4m now requested to implement the scheme

- This scheme is to improve the safety, air quality and pedestrian experience of the area around the Bank junction to reflect the historic and iconic surroundings with the appropriate sense of place.
- The 'in principal' funding approved as part of the 2020/21 capital bids with an upper limit of £4m, was based on the desire to progress the underlying high profile policies of air quality and road safety, particularly in the light of the completion of the Bank Station Capacity Upgrade in late 2022. Whilst it also assumes that that the forecast pedestrian growth within the City will continue post- Covid, the proposed works are considered to deliver the minimal and therefore essential elements.
- The additional budget required to reach the next gateway is £542k, of which £202k can be met from unspent S106 contributions, leaving a balance of £340k of central funding from the On-Street Parking Reserve now requested, plus a risk allowance of £95k. Approval to release the remaining balance of the £4m allocation to implement the scheme is also sought, subject to the approval of authority to start work at gateway 5.

(vi) Beech Street Experimental Traffic Scheme - £515k now requested to cover cost increases (including risk)

- The completion of the public consultation and final decision on the experimental traffic scheme to improve air quality in Beech Street has been deferred due to the pandemic. This extension of time to the middle of 2021 results in cost increases of up to £380k plus an uplift in the risk allowance of £135k.
- The essential costs of the Beech Street proposals were agreed for progression outside of the Fundamental Review, to be funded from CIL.

(vi) Frobisher Crescent Fire Safety Improvement Works – Approval to the release of £800k including top-up funding of £250k to deliver the scheme

- Members have previously agreed 'in principle' funding of £550k for essential fire safety improvement works to the three residential floors (levels 7, 8 and 9) of Frobisher Crescent on the Barbican Estate. The work entails the removal, and subsequent replacement, of existing internal partition walls and ceilings to facilitate the installation of approved fire compartmentation solutions to ducts, risers, service pipes, cabling and other structural penetrations to bring the residential floors up to the required levels of fire safety. The work also includes the upgrading of a limited number of fire doors within the residential corridors where appropriate, as well as the completion of all necessary associated building works.
- At the time of submitting the central funding bid last year, the cost was estimated at £550k. However, now that the detailed survey and investigation works have been completed, the estimated cost based on industry comparisons for similar works and guidance from an external consultant, has risen by £250k to £800k. Consequently a bid for additional funding in 2020/21 outside of the annual bid process is also being made – this request is addressed below.
- Subject to the uplift, the request is to draw down funding of £60k to produce a detailed design specification using suitable fire engineering solutions, with the release of the remaining £720k being subject to the approval of authority to start work by the Chief Officer at gateway 5.

Funding for each of these schemes can be met from the provisions set aside from the reserves of the three main funds for the scheme approved for progression outside of the Fundamental Review (Beech Street)/ the 2020/21 annual bids, subject to Members confirming the priority of these schemes for the release of funds at this time.

Top-up Capital Funding Bid outside of the Annual Bid Process

7. Members have agreed that the 'one-in-one-out' principle be applied for in-year requests for additional funding outside of the annual bid process. Therefore, the bid for an additional £250k for Frobisher Crescent fire safety works requires the identification of an approved bid of equivalent value from City Fund reserves.
8. In the first instance, Members are asked to confirm that this scheme is of sufficient priority to warrant the approval of an uplift of £250k of central funding outside of the annual bid process.
9. 'In principle' funding of up to £1.032m was agreed towards essential fire safety works in car parks. The recent gateway report identified a much lesser sum being required from central City Fund resources, which would provide more than sufficient headroom (up to £600k) to support the Frobisher Crescent top-up. Members will also recall the net headroom of £2.5m realised from the lower than anticipated cost of the Barbican Exhibition Halls essential health and safety works after the reallocation of £905k for the new in-year bid for the Phase 3 Covid19 transportation response.

10. It is therefore proposed that the additional £250k of City Fund resources for Frobisher Crescent fire safety works be met from the savings identified against the other City Fund allocations.

## **Conclusion**

11. A total of £136.7m of central funding was agreed 'in principle' for the delivery of essential schemes 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, £10.203m has previously been agreed for release.
12. Requests for the release of £5.42m to allow five schemes to progress to the next gateway 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.
13. Of the five schemes, four have previously received 'in principle' approval via the 2020/21 annual capital bids and one (Beech Street) was agreed for progression outside of the fundamental review. However, the cost of the Frobisher Crescent fire safety works has increased and therefore additional funding of £250k is also requested. Applying the principle of 'one-in one-out' compensating reductions in other City Fund schemes have been identified.
14. Therefore, the full £5.42m can be met from within the existing provisions set aside from the reserves of the three main funds: £4m from the On Street Parking Reserve, £550k from CIL, £800k from City Fund capital reserves and £70k from City's Cash 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)

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