

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
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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)

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