

Committee(s): Resource Allocation Sub Committee Policy and Resources Committee	Date(s): 4 February 2021 Urgency
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?	£6.887m
What is the source of Funding?	£1.234m OSPR, £3.351m City Fund Capital Reserves, £2.286m City's Cash and £16k 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 and 2021/22 round of annual capital bids.

The approved annual capital bids for 2020/21 totalled £85m. A schedule of the current 2020/21 bids is included in the Appendix for information. To date, drawdown of £17.893m to progress twenty five schemes has been agreed from this source.

The second annual bid round for 2021/22 has granted in principle funding approval to 30 new bids with a total value of £83.5m, including 6 capital climate action bids for £42.8m. Funding for these bids is still subject to formal confirmation by the Court of Common Council in March as part of the 2021/22 budget setting process.

In addition to sums set aside for new bids, there are also some remaining provisions for schemes previously agreed for progression outside of the fundamental review.

This report now proposes the release of £6.887m to allow ten schemes to progress as summarised in Table 1, of which £2.022m relates to schemes agreed for progression outside of the fundamental review, £2.729m relates to 2020/21 new bids and £2.136m for release after 1st April from the 2021/22 new bids.

Table 1: Project Funding Requests		Next Gate-way	City Fund	City's Cash	Bridge House Estates	Total
			£m	£m	£m	£m
Funding to progress to the next gateway						
<u>Schemes agreed for progression outside of the Fundamental Review</u>						
(i)	West Smithfield Area Public Realm and Transportation for 'Area 1'	G. 4	0.565			0.565
<u>2020/21 New Bids</u>						
(ii)	LMA Replacement of Fire Alarm, Chillers and Landlord Lighting and Power	G. 3/ 4	0.145			0.145
Full Funding for Scheme Implementation						
<u>Schemes agreed for progression outside of the Fundamental Review</u>						
(iii)	Walbrook Wharf Depot Replacement of Mechanical and Electrical Services	G. 5	1.457			1.457
<u>2020/21 New Bids</u>						
(iv)	Computer Equipment Rooms Uninterrupted Power Supply	G. 5	0.022	0.025	0.003	0.050
(v)	Critical IT Security Improvements	G. 5	0.112	0.125	0.013	0.250
(vi)	Golden Lane Estate Lighting	G.5	0.500			0.500
(vii)	Interim Rough Sleeper Assessment Centre	G.6	0.196			0.196
(viii)	Baynard House Car Park Ventilation and Smoke Clearance System	G.6	0.669			0.669
(ix)	Central Criminal Court Mezzanine replacement M&E services including	G. 5	0.919			0.919
<u>2021/22 New Bids</u>						
(x)	St Lawrence Jewry Church (top-up)	G. 6		2.136		2.136
Total Requested for Release of Funding			4.585	2.286	0.016	6.887

Funding for 9 of these schemes could be met from the provisions set aside from the reserves of the three main funds: £1.234m from the On-Street Parking Reserve, £3.351m from City Fund capital reserves, £150km from City's Cash and £16k from Bridge House Estates reserves, together with £2.136m after 1st April from City's Cash reserves as top up funding for the St Lawrence Jewry project.

Members will recall that financial disciplines currently in place include that central project funding may be withdrawn for schemes that slip by more than one year. Therefore, a report detailing any unallocated central funding provisions will be brought to committee for review in the spring.

Recommendations

Members are requested -

- (i) To review the ten schemes listed in Table 1 (detailed in paragraph 8) and, in the context of the current financial climate, to confirm their continued essential priority for release of funding at this time.

- (ii) To agree the release of up to £6.887m from the relevant reserves of City Fund, City's Cash and Bridge House Estates as appropriate, subject to the required gateway and 2021/22 funding approvals.
- (iii) To note that in order to maintain sound financial discipline a review of unallocated central project funding provisions will be brought to Members in the spring.

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 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 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. A detailed schedule of the latest successful bids is included in Appendix 1 for information.

5. To date, £17.893m has been drawn down to allow 25 of the 2020/21 capital bid-funded schemes to be progressed.
6. Members have also recently agreed 'in principle' funding of a further £83.5m across the three main funds for the 2021/22 new bids.
7. In addition to sums set aside for new bids, there are also some remaining provisions for schemes previously agreed for progression outside of the fundamental review.

Proposals

8. Since December, two schemes previously approved to continue outside of the fundamental review, seven schemes arising from the 2020/21 round of new bids and one scheme from the 2021/22 new bids have progressed through the gateways, for which release of £6.887m is now requested. The 2021/22 bid relates to top-up funding for St Lawrence Jewry Church which is still subject to formal confirmation by the Court of Common Council in March as part of the 2021/22 budget setting process. 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) West Smithfield Area Public Realm and Transportation - £565k now requested to reach the next Gateway for 'Area 1'

- The proposal is for release of additional funding of £565k to undertake engagement and supporting design work to reach the next gateway (detailed options appraisal) in respect of 'Area 1' of this scheme – the area around the future site of the Museum of London.
- 'In principle' funding from the On-Street Parking Reserve for the key major project dependency elements of this scheme was agreed for progression outside of the fundamental review. This was to ensure that the public realm and transportation works around the major projects keep pace with the main project timetables.

(ii) London Metropolitan Archive (LMA) Replacement of Fire Alarm, Chillers and Landlord Lighting and Power – release of £145k to reach the next gateway

- This project will carry out essential replacements of the current electrical installation, lighting, fire alarm and chillers to bring these LMA assets up to compliant standards.
- The request is for the release of £145k to undertake surveys and develop options for consideration at Gateway 3/4.
- The 'in principle' funding from City Fund reserves was agreed for this scheme as part of the 2020/21 annual capital bids as essential replacement of end of life assets. It should also be noted that some elements of the

project costs will be recoverable from the tenant who occupies part of the demise.

(iii) Walbrook Wharf Depot Replacement of Mechanical and Electrical Services – release of £1.457m requested to implement the scheme

- This project is to replace life-expired mechanical and electrical services at the Walbrook Wharf Depot.
- The total estimated cost of the scheme is £2.085m (including risk of £135k) which exceeds the upper range estimate of £1.6m by £485k. The main reason for the increase follows the decision to locate the corporate occupier to an alternative site. Therefore the scope of the scheme has now been extended to replace the obsolete M&E services to the two large areas in the basement and ground floor previously demised to the corporate occupier.
- 'In principal' funding of up to £1.6m was approved to allow progression of this scheme outside of the fundamental review on the grounds of critical end of life replacement and approval is now sought to draw down the remaining balance of £1.457m to implement the scheme. The shortfall of £485k can be funded from savings identified in the programme of works funded through the Additional Funds set aside for City Fund Properties, subject to approval by CASC.

(iv) Computer Equipment Rooms Uninterrupted Power Supply – release of £50k to implement the scheme

- This project is to replace existing end of life power supply sources to provide power resilience to core computer equipment facilities across the CoL estate.
- The total cost of replacing the equipment is £50k for which the release of funding is now requested, subject to Chief Officer approval of the Gateway 5 authority to start work report.
- The 'in principal' funding, to be drawn from the reserves of the three main funds on an apportioned basis, was agreed for this scheme as part of the 2020/21 annual capital bids to address the vulnerability of a power failure or surge which would result in disruption and potential loss – a risk which is recognised on the Corporate Risk Register.

(v) Critical IT Security Improvements - £250k requested to implement the scheme

- This is a scheme to implement critical IT security improvements to reduce security risks from cyber attack and other security breaches.
- The 'in principal' funding was approved for this essential scheme as part of the 2020/21 capital bids to ensure compliance with latest security guidance provided by the National Cyber Security Centre. Funding will be drawn from the reserves of the three funds on an apportioned basis.
- The request is for the release of £15k now to progress the scheme with the balance of the £250k for implementation being subject to Chief Officer authority to start work being granted at gateway 5.

(vi) Golden Lane Estate Lighting and Accessibility Improvements – release of up to £500k to implement the scheme

- This project is to upgrade lighting on the Golden Lane Estate to improve accessibility and safety in the semi-public areas of the estate. These areas are expected to see an increased footfall due to Crossrail and Culture Mile developments.
- The request is for the drawdown of £15k now to cover costs of tendering, with the release of the balance being subject to authority to start work being approved by Chief Officer at Gateway 5.
- 'In principle' funding was agreed for this essential scheme on health and safety grounds as part of the 2020/21 annual capital bids, to be met from City Fund capital reserves.

(vii) Interim Assessment Centre for Rough Sleepers – release of up to £196k to implement the scheme

- This project is to establish a full-time, rapid assessment facility providing referral, emergency accommodation and access to specialist help for rough sleepers. This interim facility is being put in place to respond to the immediate need to reduce rough sleeping in the City, pending the securing of a longer-term assessment centre as part of the Strategic Rough Sleeper Growth Programme.
- The request is for the drawdown of £196k to fit out rent-free church premises, providing interim facilities for a relatively short period of 18 months. However, some of this cost can be recouped when the premises are vacated, for example up to 70% of the cost shower pods can be recovered on resale to the supplier, and some of the service materials (such as kitchen equipment) can be reused.
- 'In principle' funding was agreed to deliver this high-profile policy initiative as part of the 2020/21 annual capital bids, to be met from City Fund capital reserves. The total bid was for £1m to cover both the interim and longer-term assessment centres – therefore a further drawdown request for the longer-term facility will be submitted at a later date against the remaining balance of £804k.

(viii) Baynard House Car Park Ventilation and Smoke Clearance System - Release of £669k to implement the scheme (including risk of £65k)

- This project is to install a new ventilation and smoke clearance system at Baynard House Car Park to comply with modern fire safety standards. Completion of these works will enable electric vehicle charging equipment installed by TfL to be brought into use.
- 'In principle' funding was agreed for this essential scheme on health and safety compliance grounds as part of the 2020/21 annual capital bids, to be met from the On-Street Parking Reserve.

(ix) Central Criminal Court East Wing Ground Mezzanine Cooling and Heating Replacement – release of balance of £919k to implement the scheme

- This project is to replace mechanical and electrical services including replacement of carpets and bathrooms in the East Wing Ground Mezzanine area of the Central Criminal Court. The existing services are mostly original from when the wing was opened in 1972 and are therefore end of life - but

critical to this area which is primarily occupied by the Sheriffs and associated staff.

- The total estimated cost of the scheme is now £1.778m (including costed risk of £122k), compared with the original estimate of £1m. The full extent of the works required to bring the accommodation up to an acceptable standard has become apparent following surveys carried out by the consultant engineer and this, together with the associated building fabric works and carpet replacements has resulted in a significant increase in cost.
- Central funding of up to £1m from City Fund reserves was agreed in principle as part of the 2020/21 annual capital bids (£81k previously released) and approval is now requested to draw down a further £42k to reach the next gateway, with the balance to be released following authority to start work being granted by Chief Officer. The shortfall of £778k can be funded from savings identified in the programme of works funded through the Additional Funds set aside for City Fund Properties, subject to approval by CASC.

(x) St Lawrence Jewry Church - £2.136m required to provide top-up funding to implement the scheme

- This project is to undertake urgent backlog repair works to the Church. The total estimated cost of the scheme now stands at £4.223m, of which funding of £2.087m (including £52k contribution from the Church and £120k from local risk) is in place, leaving a shortfall of £2.136m.
- Top-up funding from City's Cash reserves of up to £2.565m was agreed in principle in December 2020 as part of the 2021/22 annual capital bids. This approval was conditional upon thorough scrutiny of the Gateway 5 report (authority to start work) by the Corporate Asset Sub and Projects Sub Committees which has now taken place.
- This request is for the advance approval to the release (after 1st April) of 2021/22 top-up funding of £2.136m to make up the shortfall, which is within the £2.565m sum agreed in principle.
- This would make the total funding for the scheme (including risk) as follows:

	£m
City Surveyor Local Risk (previous years)	0.120
Funding from Church/GCC	0.052
Allocation from City's Cash Reserves previously agreed outside of the fundamental review	1.915
Draw down of top-up funding after 1st April (from in principle allocation of up to £2.565m)	2.136
	4.223

9. The funding for 9 of these schemes can be met from the existing provisions set aside from the relevant reserves of the three main funds which were either agreed as part of the fundamental review or via the 2020/21 annual bids, with advance approval for St Lawrence Jewry from the 2021/22 annual bids – all subject to Members confirming the priority of these schemes at this time.

Financial Discipline

10. Members will recall that financial disciplines currently in place allow for central project funding to be withdrawn for schemes that slip by more than one year unless an exceptional case is agreed by the Resource Allocation Sub Committee. Therefore, 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.

Conclusion

11. Requests for the release of £6.887m to allow ten schemes to progress are set out in Table 1 (details in paragraph 8).
12. Of the ten schemes, two were agreed for progression outside of the fundamental review (£2.022m), seven have previously received 'in principle' approval via the 2020/21 annual capital bids (£2.729m), with funding for the remaining scheme (St Lawrence Jewry top-up) still being subject to formal confirmation by the Court of Common Council in March as part of the 2021/22 budget setting process.
13. Funding for 9 of these schemes can be met from the provisions set aside from the reserves of the three main funds: £1.234m from the On-Street Parking Reserve, £3.351m from City Fund capital reserves, £150km from City's Cash and £16k from Bridge House Estates reserves, together with advance approval to draw down £2.136m against the 2021/22 provision for St Lawrence Jewry after 1st April.
14. Members will recall that financial disciplines currently in place include that central project funding may be withdrawn for schemes that slip by more than one year. Therefore, a report detailing any unallocated central funding provisions will be brought to committee for review in the spring.

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)
- Capital Funding – Prioritisation of 2021/22 Annual Capital Bids – Stage 2 Proposals, 10 December 2020 (Public)

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