

Committee(s): Resource Allocation Sub Committee Policy and Resources	Date(s): 17 March 2021 8 April 2021
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?	£3.198m + £135k
What is the source of Funding?	£2.21m CIL, £30k OSPR, £347k City Fund Capital Reserves, £583k City's Cash reserves and £28k BHE reserves. £135k from revenue provisions.
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 and 2021/22 rounds of annual capital bids.

Members are reminded of the two-step funding mechanism via the annual capital process:

- Firstly, within available funding, 'in principle' approval to the highest priority bids is sought and appropriate provisions are set aside in the annual capital and revenue budgets and the MTFPs.
- Secondly, following scrutiny via the gateway process to provide assurance of robust option appraisal, project management and value for money, RASC are asked to confirm that these schemes remain a priority for which funding should be released at this time.

The purpose of this report is two-fold - approval to the reallocation of funding between schemes to address unexpected shortfalls *and* to the release of funding post gateway approvals to allow schemes to progress.

The approved annual capital bids for 2020/21 total £85m of which £20.426m has been drawn down to date. A schedule of the current 2020/21 allocations is included in

Appendix 1 for information. The second annual bid round for 2021/22 has granted in principle funding approval to bids with a total value of £83.5m of which advance approval to drawdown £2.136m has been approved. A schedule of the current 2021/22 allocations is included in Appendix 2 for information.

There are currently two schemes reporting funding shortfalls amounting to £1.137m. Adopting the 'one-in, one-out' approach, the required funding has been identified from compensating savings in other projects as summarised in Table 1 (para. 9). Approval is sought to make these funding substitutions applying savings from within existing provisions.

Subject to these reallocations, release of £3.198m to allow progression of seven schemes summarised in Table 2 (para 11) is now proposed. The 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, £2.21m from CIL, £347k from City Fund capital reserves, plus £583k from City's Cash and £28k from Bridge House Estates reserves.

In addition, release of £135k in revenue funding to cover maintenance of the new systems over the interim programme delivery period is requested, to be met from revenue provisions.

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 reallocate £1.137m to provide top-up funding for two schemes - applying the 'one-in, one-out' approach – as summarised in Table 1.
- (ii) To review the schemes summarised in Table 2 and, particularly in the context of the current financial climate, to confirm their continued essential priority for release of funding at this time.
- (iii) To agree the release of up to £3.198m for the schemes in Table 2 from the reserves of City Fund, City's Cash and Bridge House Estates as appropriate, subject to the required gateway approvals.
- (iv) To agree the release of £135k of revenue funding to cover maintenance of the new Secure City systems over the interim programme delivery period, to be met from existing revenue provisions.
- (v) 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 bids.

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*, as well as 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.

4. Members are reminded of the two-step funding mechanism via the annual capital process.
 - Firstly, 'in principle' approval to the highest priority bids within available funding is sought and appropriate provisions are set aside in the annual capital and revenue budgets and the MTFPs.
 - Secondly, following scrutiny via the gateway process to provide assurance of robust option appraisal, project management and value for money, RASC are asked to confirm that these schemes remain a priority for which funding should be released at this time.

Current Position

5. 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, reduced the value of bids down to £85m.

6. To date, £20.426m has been drawn down to allow 31 of the 2020/21 capital bid-funded schemes to be progressed. A schedule of the current 2020/21 allocations is included in Appendix 1 for information.
7. Members have also recently agreed 'in principle' funding of a further £83.5m across the three main funds for the 2021/22 new bids. Funding for these bids becomes available from 1st April 2021 and to date drawdown of £2.136m has been approved. A schedule of the 2021/22 allocations is included in Appendix 2 for information.
8. 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

'One-in, One-Out' Reallocation of Funding

9. Members have previously agreed that requests for additional funding outside of the annual capital bid process should be met from within the existing sums set aside for new schemes on a 'one-in, one-out' basis. There are currently two schemes reporting funding shortfalls amounting to £1.137m detailed in Table 1 as follows:

		Capital Bid Round	City Fund	City's Cash	Bridge House Estates	Total
Table 1: 'One-In, One-Out' Proposals						
Additional Funding Required:			£m	£m	£m	£m
	I.T - ERP project (Rationalisation of Financials, HR & Payroll Systems)	2020/21	0.392	0.435	0.044	0.870
	COLPAI temporary accommodation top-up funding for summer term	2020/21	-	0.267	-	0.267
	Total Required		0.392	0.702	0.044	1.137
Funding to be reallocated from:						
	I.T - Telephony replacement		0.338	0.375	0.038	0.750
	I.T - Essential Computer (Servers) operating system refresh programme		0.025	0.028	0.003	0.055
	I.T - Smarter working for Members and Officers		0.029	0.033	0.003	0.065
	3 x I.T. schemes	2020/21	0.392	0.435	0.044	0.870
	Wanstead Park Ponds	Fundamental Review	-	0.267	-	0.267
	Total to be reallocated		0.392	0.702	0.044	1.137

(i) IT – ERP project (Rationalisation of financials, HR and Payroll Systems) – top-up funding of £870k

- This scheme is to replace the current Finance, HR and Payroll systems into a single ERP solution primarily for the Corporation and its Institutional Departments, to provide the tools needed to align with the new Target Operating Model (TOM).
- Following detailed scoping work to take on board the aspirations of the TOM, the estimated cost of the scheme currently stands at £7.425m. Central funding of £5.898m was agreed as part of the 2020/21 annual capital bid – after allowing for local risk revenue provisions of £0.657m, a funding gap of £0.870m remains. Appendix 3 provides an explanation of the cost increase.
- Substitute funding is proposed from savings on three other IT schemes originally agreed via the 2020/21 annual capital bid process (see Table 3).

(ii) City of London Primary Academy Islington (COLPAI) Temporary Site – top-up funding of £267k

- COLPAI opened in September 2017 on the temporary site of Moreland Primary School where the lease expired in July 2020, and subsequently in temporary accommodation at Copenhagen Primary School in Islington. Delays in the permanent school build were initially due to obstructions and asbestos in the ground, followed by delays due to the pandemic. Failure to achieve occupation of the permanent new school site in April 2021 due to the ongoing impact of the pandemic has resulted in temporary accommodation being needed until the end of July 2021.
- Members have previously agreed allocations of £583k from the 2020/21 annual capital bid provisions to cover the temporary costs during the autumn and spring terms – the additional cost of extending the temporary occupation throughout the summer term is £267k for which a further top-up is now sought.
- Savings arising from the Wanstead Park Ponds project, which was approved for progression outside of the fundamental review, are proposed to fund this additional cost.

10. Details of the substitute funding to cover the two top-up requests amounting to £1.137m are also provided in Table 1. Approval is sought to make these funding substitutions applying savings from within existing provisions.

Current Requests for the Release of Funding

11. Since December, six schemes arising from the 2020/21 round of new bids and one scheme from the 2021/22 new bids have (or are being) progressed through the gateways, for which release of £3.198m is now requested, as summarised in Table 2.

Table 2: 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>2020/21 New Bids</u>						
(i)	Barbican Centre and Guildhall School Confined and Dangerous Spaces	G4/ 5	0.098	0.019		0.117
(ii)	COLPAI temporary accommodation top-up funding for summer term	Outside Gateways		0.267		0.267
(iii)	Public Car Parks - Fire Remedial Works	G4/ 5	0.030			0.030
(iv)	Smithfield Market Car Park - Sprinkler and Fire Door Remedial Works	G4/ 5		0.020		0.020
(v)	IT - ERP System replacement (Financials/HR/Payroll)	G3	0.249	0.277	0.028	0.554
(vi)	Secure City Video Management System Year 1*	G5	0.810			0.810
<u>2021/22 New Bids</u>						
(vii)	Secure City Programme Year 2*	G3	1.400			1.400
Total Requested for Release of Funding			2.587	0.583	0.028	3.198

*In addition, release of £135k in revenue funding to cover maintenance of the new systems over the interim programme delivery period is requested, to be met from revenue provisions.

Further details of the individual schemes are provided in Appendix 3 attached.

12. In accordance with step two of the capital funding mechanism, Members will wish to confirm that these schemes remain a priority for funding to be released at this time particularly in the context of the current financial climate.
13. The funding for these schemes can be met from the existing provisions set aside from the relevant reserves of the three main funds as set out in Table 2, which were either agreed as part of the fundamental review (COLPAI £267k reallocated funds) or via the 2020/21 and 2021/22 annual capital bids.

Financial Discipline

14. 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 Spring 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

15. The purpose of this report is two-fold - approval to the reallocation of funding between schemes to address unexpected shortfalls *and* to the release of funding post gateway approvals to allow schemes to progress.

16. Adopting the 'one-in, one-out' approach, the reallocation of £1.137m to provide top-up funding for two schemes is requested as set out in Table 2 (see paragraphs 9 and 10).
17. Requests for the release of £3.198m to allow seven schemes to progress are set out in Table 2 (see paragraph 11 and appendix 3).
18. The funding for these schemes can be met from the existing provisions set aside from the relevant reserves of the three main funds as set out in Table 2, which were either agreed as part of the fundamental review (COLPAI £267k reallocated funds) or via the 2020/21 and 2021/22 annual capital bids.
19. 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, £2.21m from CIL, £347k from City Fund capital reserves, £583k from City's Cash and £28k from Bridge House Estates reserves.
20. In addition, release of £135k in revenue funding to cover maintenance of the new systems over the interim programme delivery period is requested, to be met from revenue provisions.
21. 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

Appendix 2 - 2021/22 Approved Bids

Appendix 3 – Requests for Release of Funding – Scheme Details

Appendix 4 – ERP Cost Increase

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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