

<b>Committee(s):</b> Resource Allocation Sub Committee Policy and Resources Committee	<b>Date(s):</b> 26 May 2021 3 June 2021
<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>	£2.93m
<b>What is the source of Funding?</b>	£371k OSPR, £1.691m City Fund Capital Reserves, £868k 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 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.

This stage 2 release of funding is the subject of this report.

The approved annual capital bids for 2020/21 total £85m of which £21.957m has been approved for draw 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 £3.6m has been approved for draw down to date. A schedule of the current 2021/22 allocations is included in Appendix 2 for information.

Release of £2.93m to allow progression of seven schemes summarised in Table 1 (para 11) is now proposed. The funding for these schemes can be met from the provisions set aside from the reserves of City Fund and City's Cash: £371k from the On-Street Parking Reserve, £1.691k from City Fund capital reserves and £868k from City's Cash reserves.

Members will recall that financial disciplines currently in place include that central project funding may be withdrawn for schemes that slip by more than one year.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 before the summer recess.

### **Recommendations**

Members are requested -

- (i) To review the schemes summarised in Table 1 and, particularly 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 £2.93m for the schemes in Table 1 from the reserves of City Fund and City's Cash, subject to the required gateway 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 before the summer recess.

### **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. For the financial year 2020/21, Members approved £85m new capital bids across the three main funds. To date, £21.957m has been drawn down to allow 33 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.
6. Members have also agreed 'in principle' funding of a further £83.5m across the three main funds for the 2021/22 new bids and to date drawdown of £3.6m has been approved in respect of 3 schemes. A schedule of the 2021/22 allocations is included in Appendix 2 for information.
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 for Release of Funding**

8. There are two schemes arising from the 2020/21 round of new bids and five schemes from the 2021/22 new bids that have (or are being) progressed through the gateways, for which release of £2.93m is now requested, as summarised in Table 1.

<b>Table 1: Project Funding Requests</b>		<b>Next Gate-way</b>	<b>City Fund</b>	<b>City's Cash</b>	<b>Total</b>
			<b>£m</b>	<b>£m</b>	<b>£m</b>
<u>In principle Funding via 2020/21 New Bids</u>					
(i)	Assessment Centre for Rough Sleepers	G 5	0.788		0.788
(ii)	High Support Hostel for Rough Sleepers - fit-out costs	G 5	0.355		0.355
<u>In principle Funding via 2021/22 New Bids</u>					
(iii)	Barbican Estate Fire Doors	G3/4	0.275		0.275
(iv)	BEMS* Upgrades to next gateway	G3/4	0.017	0.007	0.024
	Advance approval to support PSDS prog.	G3/4/5	0.256	0.171	0.427
(v)	CAS**: Carbon Removals Year 1	G 5		0.465	0.465
	Open Spaces Future Phases	G3/4		0.225	0.225
(vi)	CAS**: Cool Streets and Greening	G3/4	0.320		0.320
(vii)	CAS**: Pedestrian Priority Programme	G3/4	0.051		0.051
<b>Total Requested for Release of Funding</b>			<b>2.062</b>	<b>0.868</b>	<b>2.930</b>
* <i>BEMS: Building Energy Management System</i>					
** <i>CAS: Climate Action Strategy</i>					

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

9. 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.
10. The funding for these schemes can be met from the existing provisions set aside from the relevant reserves of City Fund and City's Cash as set out in Table 1, which were agreed via the 2020/21 and 2021/22 annual capital bids.

## Financial Discipline

11. 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 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

12. Requests for the release of £2.93m to allow seven schemes to progress are set out in Table 1 (see paragraph 9 and appendix 3).

13. The funding for these schemes can be met from the existing provisions set aside from the relevant reserves of City Fund and City's Cash as set out in Table 1, which were agreed via the 2020/21 and 2021/22 annual capital bids.
14. Funding for these schemes can be met from the provisions set aside from reserves: £371k from the On-Street Parking Reserve, £1.691m from City Fund capital reserves and £868k from City's Cash reserves.
15. 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 before the summer recess.

## **Appendices**

Appendix 1– 2020/21 Approved Bids

Appendix 2 - 2021/22 Approved Bids

Appendix 3 – Requests for Release of Funding – Scheme Details

## **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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