

Committee(s): Resource Allocation Sub Committee – for Decision Bridge House Estates Board – for Decision	Date(s): 17 September 2021 15 September 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
For Bridge House Estates (BHE), which outcomes in the BHE Bridging London 2020 – 2045 Strategy does this proposal aim to support?	1,2&3
Does this proposal require extra revenue and/or capital spending?	Yes
If so, how much?	£3.992m
What is the source of Funding?	£3.974m from various City Fund Revenue and Capital Reserves, £15k from City’s Cash reserves and £3k from BHE Unrestricted Income Fund.
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 rounds of annual capital bids.

Members are reminded of the two-step funding mechanism via the annual capital bid 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 an anticipated budget shortfall *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 £25.345m 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 granted in principle funding approval to bids with a total value of £83.5m of which draw down of £5.387m has been agreed. A schedule of the current 2021/22 allocations is included in Appendix 2 for information.

There is one project - Frobisher Crescent fire compartmentation - reporting a funding shortfall of £403k. Adopting the 'one-in, one-out' approach, the required funding has been identified from compensating savings against the Barbican fire doors replacement project (refer to paras. 7-11). Approval is sought to reallocate £403k to provide top-up funding for this urgent Frobisher project whilst remaining within existing provisions.

In addition, subject to the approval of the above reallocation, the release of £3.992m to allow progression of the six schemes summarised in Table 1 (para 12) is now proposed. Funding for these schemes can be met from the provisions set aside from the reserves of the three main funds: £485k from City Fund capital and general revenue reserves, £947k from the On Street Parking Reserve and £2.542m from CIL; £15k from City's Cash Reserves and £3k from the Bridge House Estates Unrestricted Income Fund.

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. A review is underway and a report detailing any unallocated central funding provisions will be brought to committee for review following discussions taking place at the bi-lateral meetings.

Recommendations

Resource Allocation Sub Committee Members are requested -

- (i) To agree to apply the 'one-in, one-out' approach to reallocate £403k from savings on the Barbican fire door replacement project to provide top-up funding for the Frobisher Crescent fire compartmentation project.
- (ii) 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; and accordingly
- (iii) To agree the release of up to £3.989m for the schemes in Table 1 from the reserves of City Fund and City's Cash as appropriate, subject to the required gateway approvals.
- (iv) To note that in order to maintain sound financial discipline a review of unallocated central project funding provisions will be brought to Members following discussions taking place at the bi-lateral meetings.

Bridge House Estates (BHE) Board Members are requested –

- (v) To agree the release of an initial £3k contribution towards the costs of progressing the Wide Area Network upgrade project to the next gateway, to be met from the Unrestricted Income Fund with funding previously approved within the 2021/22 budget.

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 BHE¹. 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.

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4. Members are reminded of the two-step funding mechanism via the annual capital bid 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

¹ Contributions from Bridge House Estates are limited to its share of corporate schemes such as works to the Guildhall Complex or corporate IT systems and are subject to the specific approval of the Bridge House Estates Board.

and/or BHE Board 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 have approved £85m of new capital bids across the three main funds. To date, £25.345m has been drawn down to allow 35 of these 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 £5.387m has been approved in respect of 8 schemes. A schedule of the 2021/22 allocations is included in Appendix 2 for information.

Proposals

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

7. 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.
8. There is currently one project - Frobisher Crescent fire compartmentation - reporting a funding shortfall of £403k. This scheme was prioritised on health and safety grounds as part of the 2020/21 annual capital bids to undertake essential fire safety improvement works to the three residential floors (levels 7, 8 and 9) of Frobisher Crescent, part of the Barbican Estate.
9. At pre-tender stage, the project cost was estimated at £800k based on industry comparisons for similar works with guidance from an external consultant. However, the tender exercise has resulted in an increase in cost to £1.203m reflecting the particular complexity of the required works and giving rise to a funding shortfall of £403k.
10. Funding of up to £20m for the replacement of the Barbican Estate fire doors was approved 'in principle' as part of the 2021/22 capital bids. The Director of Community and Children's Services has confirmed that savings of at least £403k will be achieved, with the full extent of the cost reduction to be confirmed at the next gateway.
11. Adopting the 'one-in, one-out' approach, it is proposed to reallocate £403k of the anticipated savings on the Barbican fire door replacement scheme to allow the urgent Frobisher Crescent works to progress.

Current Requests for the Release of Funding

12. There are six schemes with ‘in principle’ funding approved as part of the capital bids that are progressing through the gateways (including the Frobisher Crescent top-up) for which release of £3.992m is now requested as summarised in Table 1:

Table 1: Project Funding Requests		Next Gateway	Capital Bid Round	City Fund	City's Cash	Bridge House Estates	Total
				£m	£m	£m	£m
Funding to progress to the next gateway							
	Denton Pontoon and Pier Overhaul	G3/4	2021/22	0.050	-	-	0.050
	Wide Area Network Upgrade	G3/4	2021/22	0.032	0.015	0.003	0.050
Full Funding for Scheme Implementation							
	Frobisher Crescent Fire Compartmentation	G6	2020/21	0.403	-	-	0.403
	Dominant House Footbridge	G5	2020/21	0.287	-	-	0.287
	Finsbury Circus Pavilion and Landscaping	G5	2020/21	2.542	-	-	2.542
	Climate Action - Cool Streets and Greening	G5 (various)	2021/22	0.660	-	-	0.660
Total Requested for Release of Funding				3.974	0.015	0.003	3.992

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

13. 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.
14. 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 1.
15. Additional approval of the BHE Board is required to release an initial £3k contribution towards the costs of progressing the Wide Area Network Upgrade project to the next gateway, to be met from the Unrestricted Income Fund.

Financial Discipline

16. 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. There is currently a significant number of schemes with either minimal or zero drawdowns against central funding allocations that were either agreed as part of the fundamental review or via the 2020/21 annual capital bids. Accordingly, a review is currently underway to identify any schemes that are not being actively progressed, to be reported following discussions taking place at the bi-lateral meetings. This will ensure that any unrequired funding is available to redirect to the highest priority areas.

Conclusion

17. 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 for projects progressing through the gateways, to allow them to progress.

18. Adopting the 'one-in, one-out' approach, the reallocation of £403k to provide top-up funding for the Frobisher Crescent fire compartmentation project is requested to be met from savings on the Barbican Estate fire door replacement scheme (refer to paragraphs 7 - 11).
19. Requests for the release of £3.992m to allow six schemes to progress are set out in Table 1 (refer to paragraph 12 and appendix 3).
20. 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 1, which were agreed via the 2020/21 and 2021/22 annual capital bids: £485k from City Fund capital and general revenue reserves, £947k from the On Street Parking Reserve and £2.542m from CIL; £15k from City's Cash Reserves and £3k from the BHE Unrestricted Income Fund. It should be noted that the release of the £3k Bridge House Estates contribution is subject to the approval of the BHE Board.
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 review of unallocated central funding provisions is underway which will be brought to committee for review following discussions taking place at the bi-lateral meetings.

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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