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| <b>Committee(s):</b><br>Resource Allocation Sub Committee – for Decision<br>Bridge House Estates Board – for Decision   | <b>Date(s):</b><br>19 November 2021<br>24 November 2021   |
| <b>Subject:</b><br>Capital Funding Update   | <b>Public</b>   |
| <b>For City’s Cash and City’s Fund, which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly, and for BHE, insofar as they are considered to be in the best interests of the charity to support?</b> | The schemes for which funding is now requested span across a range of corporate outcomes  |
| <b>For Bridge House Estates (BHE), which outcomes in the BHE Bridging London 2020 – 2045 Strategy does this proposal aim to support?</b>  | 1,2&3   |
| <b>Does this proposal require extra revenue and/or capital spending?</b>  | Yes   |
| <b>If so, how much?</b>   | £2.654m (+ £30k reallocation of existing funding)   |
| <b>What is the source of Funding?</b>   | £2.612m from various City Fund Reserves, £36k from City’s Cash reserves and £6k from BHE Unrestricted Income Fund. (+ £30k of City Fund reserves reallocated) |
| <b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>   | Yes   |
| <b>Report of:</b><br>The Chamberlain  | <b>For Decision</b>   |
| <b>Report author:</b><br>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 currently total £84.9m of which £28.3m 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 current value of £82.8m of which draw-downs of £6.4m have been agreed. A schedule of the current 2021/22 allocations is included in Appendix 2 for information.

The Barbican Renewal project is currently progressing outside of the gateway process with an initial budget of £150k met from local risk. A top-up of £30k is now required to take the options work through to the end of the current financial year. In order to remain within existing provisions, the 'one-in, one-out' approach has been adopted to identify funding from savings on other bids. The central funding requirement for the Planning & Regulatory Services Casework Management System ('PRSCMS') project, agreed as part of the Fundamental Review, is some £220k lower than anticipated and therefore it is proposed to reallocate £30k of these savings to provide funding for the Barbican Renewal.

In addition, release of £2.654m to allow progression of the three schemes summarised in Table 1 (para 10) is now proposed. Funding for these schemes can be met from the provisions set aside from the reserves of the three main funds: £2.403m from the On Street Parking Reserve, £141k from CIL and £68k from revenue reserves (all City Fund), plus £36k from City's Cash general reserves and £6k 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 in January 2022.

### **Recommendations**

Resource Allocation Sub Committee Members are requested -

- (i) To agree to apply the 'one-in, one-out' approach to reallocate £30k from savings on the PRSCMS project to provide top-up funding to take the Barbican Renewal project through to the end of 2021/22.
- (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 £2.648m 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 in January 2022.

Bridge House Estates (BHE) Board Members are requested –

- (v) To agree the release of a £6k contribution towards the costs of progressing the Guildhall cooling plant replacement 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 BHE<sup>1</sup>. 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.
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 and/or BHE Board are asked to confirm that these schemes remain a priority for which funding should be released at this time.

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<sup>1</sup> 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.

## Current Position

- From the 2020/21 bid round, central funding of £84.9m is currently allocated for new capital bids across the three main funds. To date, £28.327m has been drawn down to allow 37 of these schemes to be progressed. A schedule of the current 2020/21 allocations is included in Appendix 1 for information.
- Central funding of a further £82.8m across the three main funds for the 2021/22 new bids is currently allocated, of which drawdowns of £6.347m has been approved in respect of 10 schemes. A schedule of the 2021/22 allocations is included in Appendix 2 for information.

## Proposals

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

- 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.
- The Barbican Renewal project is currently progressing outside of the gateway process with an initial budget of £150k met from local risk. A top-up of £30k is now required to take the options work through to the end of the current financial year. In order to remain within existing provisions, the 'one-in, one-out' approach has been adopted to identify funding from savings on other bids.
- The central funding requirement for the Planning & Regulatory Services Casework Management System ('PRSCMS') project, agreed as part of the Fundamental Review, is some £220k lower than anticipated and therefore it is proposed to reallocate £30k of these savings to provide top-up funding for the Barbican Renewal.

### Current Requests for the Release of Funding

- There are three schemes with 'in principle' funding approved as part of the capital bids that are progressing through the gateways for which release of £2.654m is now requested as summarised in Table 1, of which £2.403m directly relates to the Climate Action Strategy:

|  | Next Gate-way | Capital Bid Round | City Fund | City's Cash | Bridge House Estates | Total |
|--|---------------|-------------------|-----------|-------------|----------------------|-------|
| <b>Table 1: Project Funding Requests</b>       |               |                   |           |             |                      |       |
|  |               |                   | £m        | £m          | £m                   | £m    |
| <b>Funding to progress to the next gateway</b> |               |                   |           |             |                      |       |
| Barbican and Golden Lane Healthy Streets       | G3            | 2021/22           | 0.141     |             |                      | 0.141 |
| Guildhall Cooling Plant Replacement            | G4            | 2020/21           | 0.068     | 0.036       | 0.006                | 0.110 |
| <b>Full Funding for Scheme Implementation</b>  |               |                   |           |             |                      |       |
| Pedestrian Priority Programme (Climate Action) | G6            | 2021/22           | 2.403     |             |                      | 2.403 |
| Total Requested for Release of Funding         |               |                   | 2.612     | 0.036       | 0.006                | 2.654 |

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

11. 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.
12. 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.
13. Additional approval of the BHE Board is required to release a £6k contribution towards the costs of progressing the Guildhall cooling plant replacement project to the next gateway, to be met from the Unrestricted Income Fund.

### **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. 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**

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 for projects progressing through the gateways, to allow them to progress.
16. Adopting the 'one-in, one-out' approach, the reallocation of £30k to provide top-up funding for the Barbican Renewal scheme is requested to be met from savings on the PRSCMS project (refer to paragraphs 7 - 9).
17. Requests for the release of £2.654m to allow three schemes to progress are set out in Table 1 (refer to paragraph 10 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 1, which were agreed via the 2020/21 and 2021/22 annual capital bids: £68k from City Fund general revenue reserves, £2.403m from the On Street Parking Reserve and £141k from CIL; £36k from City's Cash Reserves and £6k from the BHE Unrestricted Income Fund. It should be noted that the release of the £6k Bridge House Estates contribution is subject to the approval of the BHE Board.
19. 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)

### **Dianne Merrifield**

Group Accountant, Capital

Email: [dianne.merrifield@cityoflondon.gov.uk](mailto:dianne.merrifield@cityoflondon.gov.uk)