

Committee(s): Bridge House Estates Board Policy and Resources Committee	Date(s): 27 April 2022 5 May 2022
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?	£7.812m
What is the source of Funding?	£5.770m from City Fund Reserves, £1.841m from City's Cash reserves and £201k from BHE Unrestricted Income Fund.
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, 2021/22 and 2022/23 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, Members 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 to seek agreement to the release of funding (following gateway approvals) to allow schemes to progress.

The approved annual capital bids for 2020/21 currently total £84.1m of which draw-downs of £31.3m have been approved 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 £83m of which draw-downs of £9.7m have been agreed. A schedule of the current 2021/22 allocations is included in Appendix 2 for information.

The recently approved annual capital bids for 2022/23 total £26.2m which became available with effect from 1st April 2022.

Release of £7.813m to allow progression of the nine schemes summarised in Table 1 (para. 9) is now proposed. Funding for these schemes can be met from the provisions set aside from the reserves of the three main funds via the annual capital bids: £250k from CIL, £2.3m from the On Street Parking Reserve (OSPR) and £3.22m from general/capital reserves (all City Fund), plus £1.842m from City's Cash general reserves and £201k from the Bridge House Estates Unrestricted Income Fund.

Recommendations

Policy and Resources Committee 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; and accordingly
- (ii) To agree the release of up to £7.612m for the schemes in Table 1 from the reserves of City Fund (£5.770m) and City's Cash (£1.842m) as appropriate, subject to the required gateway approvals.

Bridge House Estates (BHE) Board Members are requested –

- (iii) To agree a contribution of £201k towards the cost of progressing the Guildhall Cooling Plant Replacement project, to be met from the provision set aside from the Unrestricted Income Fund.

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.
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 is asked to confirm that these schemes remain a priority for which funding should be released at this time.

Current Position

5. From the 2020/21 bid round, central funding of £84.1m is currently allocated for new capital bids across the three main funds. To date, £31.3m has been drawn down to allow 36 of these schemes to be progressed. A schedule of the current 2020/21 allocations is included in Appendix 1 for information.
6. Central funding of a further £83m across the three main funds for the 2021/22 new bids is currently allocated, of which drawdowns of £9.7m has been approved in respect of 16 schemes. A schedule of the 2021/22 allocations is included in Appendix 2 for information.
7. Central Funding of £26.2m has recently been agreed for the 2022/23 new bids, with funding available from 1st April 2022. A schedule of the 2022/23 allocations is included in Appendix 3 for information.
8. In addition, there a small number of ongoing schemes for which funding was allocated as part of the Fundamental Review.

Proposals

Current Requests for the Release of Funding

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.

9. There are nine schemes with 'in principle' funding approved as part of the capital bids that have progressed through the gateways, for which release of £7.813m is now requested as summarised in Table 1:

Table 1: Project Funding Requests		Next Gate-way	Capital Bid Round	City Fund	City's Cash	Bridge House Estates	Total
				£m	£m	£m	£m
Funding to progress to the next gateway							
	Guildhall School and Barbican Centre - Ventilation, heating, cooling and mechanical controls	G3/4	2021/22	0.024	0.200		0.224
	Hampstead Heath Swimming Facilities - Safety, Access and Security Improvements	G3/4	2021/22	-	0.079	-	0.079
	St Paul's Gyratory	G3	2022/23	0.556			0.556
*	St Paul's Cathedral External Lighting	G4	2022/23	0.250	-	-	0.250
Full Funding for Scheme Implementation							
	Assessment Centre for Rough Sleepers - top-up funding	G5	2020/21	0.106			0.106
	Guildhall Cooling Plant Replacement	G4c	2020/21	2.280	1.563	0.201	4.044
**	BEMS Phase 1 Stage 2 (LMA and Walbrook Wharf)		2020/21	0.254			0.254
***	Climate Action Strategy – Year 2 Cool Streets and Greening Programme	G5	2021/22	1.600	-	-	1.600
***	Bank Junction Improvements (All Change at Bank) - top-up funding	G6	2022/23	0.700	-	-	0.700
Total Requested Release of Funding				5.770	1.842	0.201	7.813
* Funding from CIL							
** BEMS = Building Energy Management Systems							
*** Funding from On- Street Parking Reserve							

Further details of the individual schemes are provided in Appendix 4 attached.

10. 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.
11. Funding for these schemes can be met from the provisions set aside from the reserves of the three main funds via the three years of capital bids: £250k from CIL, £2.3m from the On Street Parking Reserve and £3.22m from capital reserves (all City Fund), plus £1.842m from City's Cash general reserves and £201k from the Bridge House Estates Unrestricted Income Fund.

Conclusion

12. The purpose of this report is to agree the release of funding for projects progressing through the gateways.
13. Requests for the release of £7.813m to allow nine schemes to progress are set out in Table 1 (refer to paragraph 2 and appendix 4).
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, which were agreed as part of the last three years of capital bids: £250k from CIL, £2.3m from the On Street Parking Reserve and £3.22m from City Fund general reserves,

plus £1.842m from City's Cash Reserves and £201k from the Bridge Houses Estates Unrestricted Income Fund.

Appendices

- Appendix 1– 2020/21 Approved Bids
- Appendix 2 - 2021/22 Approved Bids
- Appendix 3 – 2022/23 Approved Bids
- Appendix 4 – 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)

Capital Funding – Prioritisation of 2022/23 Annual Capital Bids – Stage 2 Final Proposals

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