

<b>Committee(s):</b> Resource Allocation Sub Committee – for Decision Bridge House Estates Board Policy & Resources Committee	<b>Date(s):</b> 8 March 2023 Urgency 23 March 2023
<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>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>	£2.284m
<b>What is the source of Funding?</b>	£0.812m from City Fund Reserves, £1.450m from City’s Cash Reserves and £22k from BHE Unrestricted Income Fund.
<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> Simon Whelan, Acting Group Accountant	

### Summary

This report follows on from previous papers on capital prioritisation, the capital review and the 2020/21, 2021/22 and 2022/23 rounds of annual capital bids. There are to be no new bids in 2023/24 but a further round of new bids will be considered for 2024/25.

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 for Members to consider release of funding following the capital review and in the context of the current financial climate and to seek agreement

to the release of any 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 £36.7m have been approved to date. A schedule of the current 2020/21 allocations is included in Appendix 1 for information. It is proposed that unused funding for Dominant House Footbridge be applied towards forecast overspends on the Guildhall Cooling and Rough Sleepers' Assessment Hub projects. See Table 1 'One-In, One-Out' Proposals.

The second annual bid round for 2021/22 granted in principle funding approval to bids with a current value of £82.5m of which draw-downs of £12.3m have been agreed. A schedule of the current 2021/22 allocations is included in Appendix 2.

The approved annual capital bids for 2022/23 total £26.7m of which draw-downs of £3.6m have been agreed.

Release of £2.284m to allow progression of the nine schemes summarised in Table 2 'Project Funding Requests' is now requested. 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 plus the Fundamental Review for projects which predate the annual bids process.

Projects which have been through the capital review and have been classified as any of the following have been included in this report:

Category	Outcome
1	Project can continue – noting the revised funding allocation.
2	Project can continue – noting the reduced scope
3	Project can continue – but any overspend needs to be covered from external funding sources. This can include ringfenced capital funding pots (e.g. CL, On-Street Parking Reserve) or external grant funding. No additional funding has been agreed from City Fund or City's Cash budgets.

## Recommendations

Policy and Resources Committee Members are requested -

- (i) 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 and accordingly:
- (ii) To agree the release of up to £0.910m for the schemes progressing to the next Gateway (pre-Gateway 5) in Table 2 from the reserves of City Fund (£0.075m) and City's Cash (£0.829m) and BHE (£0.006m) as appropriate, subject to the required gateway approvals.
- (iii) To agree the release of up to £1.374m for the schemes progressing to implementation (post-Gateway 5) in Table 2 from the reserves of City Fund (£0.737m) and City's Cash (£0.621m) and BHE (£0.016m) as appropriate, subject to the required gateway approvals.

Bridge House Estates (BHE) Board Members are requested –

- (iv) To agree a contribution of £22k towards the cost of progressing the Guildhall Cooling, DITS LAN Security and IT Segmented Tunnelling projects, 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 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 is 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 £84.1m is currently allocated for new capital bids across the three main funds. To date, £36.7m 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.

5. Central funding of a further £82.5m across the three main funds for the 2021/22 new bids is currently allocated, of which drawdowns of £12.3m has been approved in respect of 19 schemes. A schedule of the 2021/22 allocations is included in Appendix 2 for information.

Central Funding of £26.7m has been agreed for the 2022/23 new bids of which draw-downs of £3.6m have been approved in respect of 9 schemes. A schedule of the 2022/23 allocations is included in Appendix 3 for information.

6. In addition, there are a small number of ongoing schemes for which funding was allocated as part of the Fundamental Review (such as Wanstead Park Ponds).
7. All schemes in this report have been through the capital review as part of a reprioritisation and value-engineering exercise to mitigate the effects of significant inflationary pressures. These pressures need to be carefully managed over the short to medium term to prevent a potential significant overspend. In instances where capital projects are approved assuming any element of external funding, risks must be managed to prevent additional unplanned cost pressures impacting on central funding.
8. Finsbury Circus - Members from both the OS&CG and RASC committees attended a briefing session on Finsbury Circus on the 9th Feb. Members were taken through a presentation outlining the history of the Gardens and the proposed design scheme for the renewal of the space. Officers shared details of the current funding allocation for the project along with prices from a tender exercise which concluded on the 2nd February. The current funding envelope is £5.9M, this includes an in-principal allocation of £2.5M CIL funding which was agreed by RASC in 2021, along with £3.2M of compensation from Crossrail and £200K from the Climate Action Fund. The tender exercise requested prices for three options:
  - Delivery of the full scheme, as consented by Planning including the provision of a Pavilion; the returns ranged in price from £7.9M to £8.9M;
  - A Value engineered option of the full scheme which delivered savings of approximately £300,000.
  - And lastly the option to deliver the full landscaping scheme without the Pavilion with prices ranging from £5.7M - £6.1M
9. These options were presented to the members at the meeting and discussed. There was an acceptance that the only option which fitted with the existing budget envelope of £5.9M was the landscaping excluding the Pavilion. A verbal update was subsequently provided to OS&CG who agreed to prioritise the landscaping only option to enable matters to proceed at pace. It was agreed that the pavilion would be seen as a future Phase 2, possibly requiring a commercial partner. The OS&CG

Committee also agreed to delegate authority to agree any subsequent Gateway 5 report to Executive Director of Environment in consultation with Chair & Deputy Chair of OS&CG.

## Proposals

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

10. 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.
11. The forecast increased in cost of both the Guildhall West Wing Cooling project and the Rough Sleepers Assessment Centre can be almost fully covered by funding now not required to deliver the Dominant House Footbridge project.

<b>Table 1: 'One-In, One-Out' Proposals</b>		<b>Capital Bid Round</b>	<b>City Fund</b>	<b>City's Cash</b>	<b>Bridge House Estates</b>	<b>Total</b>
<b>Additional Funding Required</b>			<b>£000</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
	Guildhall - West Wing - Space Cooling - Chiller Plant & Cooling Tower Replacement	2020/21	0.167	0.089	0.013	0.269
	Rough Sleeping - assessment hub	2020/21	0.196			0.196
	<b>Total Required</b>		0.363	0.089	0.013	0.465
<b>Funding to be reallocated from:</b>						
	Structural - Dominant House Footbridge	2020/21	- 0.450			- 0.450
						-
	Net additional Funding from capital bid resources		- 0.087	0.089	0.013	0.015

### Current Requests for the Release of Funding

12. There are nine schemes with 'in principle' funding approved as part of the capital bids or the Fundamental Review that have progressed through the gateways, for which release of up to £2.284m is requested:

<b>Table 2: Project Funding Requests</b>		Next Gate-way	Capital Bid Round	City Fund	City's Cash	Bridge House Estates	Total
				£m	£m	£m	£m
<b>Funding to progress to the next gateway</b>							
Hampstead Heath - Parliament Hill Athletics Track Resurfacing	G5	2022/23			0.165		0.165
Guildhall - West Wing - Space Cooling - Chiller Plant & Cooling Tower Replacement	G5	2020/21	0.075	0.040	0.006		0.121
Guildhall Complex Masterplan - Redevelopment of North and West Wing Offices	G3	2022/23		0.250			0.250
Wanstead Park Ponds	G5	Fundamental Review		0.374			0.374
							-
							<b>0.910</b>
<b>Full Funding for Scheme Implementation</b>							
Hampstead Heath Swimming Facilities - Safety, Access and Security Improvements	G6	2021/22			0.554		0.554
IT - DITS Local Area Network Security Project	G6	2022/23	0.064	0.029	0.007		0.100
IT - Segmented Tunnelling Combined	G6	2022/23	0.083	0.038	0.009		0.130
Structural - Dominant House Footbridge	G6	2020/21	0.288				0.288
Rough Sleeping - assessment hub	G6	2020/21	0.302				0.302
							<b>1.374</b>
<b>Total Requested Release of Funding</b>				<b>0.812</b>	<b>1.450</b>	<b>0.022</b>	<b>2.284</b>

13. Further details of the individual schemes are provided in Appendix 4 attached.
14. 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.
15. 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 plus the Fundamental Review through a mixture of £0.812m On Street Parking Reserve, CIL and City Fund reserves, plus £1.450m from City's Cash general reserves and £22k from the Bridge House Estates Unrestricted Income Fund.

## Conclusion

16. Members are requested to:
  - 1) review the above and consider in the context of the completion of the capital review and the current financial climate their continued support for the schemes requesting internal resources to proceed, and;
  - 2) approve the associated release of funding in Table 2.

## 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
- Appendix 5 – Walbrook Wharf Feasibility 2027 and beyond

## **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
- Capital Review 2022 – final recommendations to RASC

### **Simon Whelan**

Acting Group Accountant Capital

Email: [Simon.WheLAN@cityoflondon.gov.uk](mailto:Simon.WheLAN@cityoflondon.gov.uk)