

Committee(s): Resource Allocation Sub Committee	Date(s): 5 September 2023
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?	
Does this proposal require extra revenue and/or capital spending?	Yes
If so, how much?	£1.104m
What is the source of Funding?	£0.604m from City Fund Reserves, £0.4 from CIL, £0.1m from City's Cash Reserves
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of: The Chamberlain	For Decision
Report author: Yasin Razaaq, 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 within 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 (following gateway approvals) to allow schemes to progress.

The approved annual capital bids for 2020/21 currently total £87.1m of which draw-downs of £36.7m have been approved to date. A schedule of the current 2020/21 allocations is included as 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 £1.104m to allow progression of four 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. CIL, On-Street Parking Reserve) or external grant funding. No additional funding has been agreed from City Fund or City's Cash budgets.

Recommendations

Resource Allocation Sub 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 £1.104m for the schemes progressing to the next Gateway in Table 2 from the reserves of City Fund (£0.604m), CIL (0.400m) and City's Cash (£0.100m)

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 and should continue to be applied when consider release of funds.

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 £87.1m is currently allocated for new capital bids across the three main funds. To date, £37.4m 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.
6. 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 £12.8m has been approved in respect of 19 schemes. A schedule of the 2021/22 allocations is included in Appendix 2 for information.

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.

Central Funding of £26.7m has been agreed for the 2022/23 new bids of which draw-downs of £4.2m have been approved in respect of 12 schemes. A schedule of the 2022/23 allocations is included in Appendix 3 for information.

7. 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).
8. 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.

Current Requests for the Release of Funding

9. There are four 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 £1.104m is requested:

Table 2: Project Funding Requests		Next Gateway	Funding Status	Capital Bid Round	City Fund	City's Cash	Bridge House Estates	Total
Funding to progress to the next gateway								
	I.T - Rationalisation of Financials, HR & Payroll Systems (ERP project)	GW4		2020/21	0.128			0.128
	SVY - Riverbank House, Swan Lane - repairs to foreshore river defence	GW5		2021/22	0.328			0.328
	BEMS Upgrade Phase 2 - Heathrow Animal Reception Centre and various OS sites at Epping	GW3		2022/23	0.148	0.100		0.248
	Secure City Programme 2022/23- Progress the Secure Management System	GW6- SMS		2022/23	0.400			0.400
								1.104
Total Requested Release of Funding					1.004	0.100	-	1.104

10. Further details of the individual schemes are provided in Appendix 4 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. Funding for these schemes can be met from the provisions set aside from the reserves of the City Fund £0.604m, £0.400m from CIL and £0.100m from City Cash.

Conclusion

13. 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

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

Yasin Razaq

Capital & Projects Manager

Email: Yasin.Razaq@cityoflondon.gov.uk