

<b>Committee(s):</b> Resource Allocation Sub Committee Policy & Resources Committee	<b>Date(s):</b> 30 November 2023 14 December 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>Does this proposal require extra revenue and/or capital spending?</b>	Yes
<b>If so, how much?</b>	£0.389m
<b>What is the source of Funding?</b>	£0.234m from City Fund CIL, £0.155m from City Cash
<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> Yasin Razaq, Capital and Projects Manager	

### 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.

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 £38.1m have been approved to date. A schedule of the current 2020/21 allocations is included as Appendix 1 for information.

The second annual bid round for 2021/22 granted in principle funding approval to bids with a current value of £82.5m of which draw-downs of £17.1m 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 £7.4m have been agreed. A schedule of the current 2022/23 allocations is included in Appendix 3.

Release of £0.389m to allow progression of three schemes summarised in Table 2 'Project Funding Requests' is now requested.

### **Recommendations**

Resource Allocation Sub Committee Members and Policy & Resources Committee are requested to:-

- (i) 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) Agree the release of up to £0.389m for the schemes progressing to the next Gateway in Table 2 from City Fund CIL (£0.234m) and City Cash (0.155m)

# 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 CBF<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 City Bridge Foundation 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

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, £37.8m 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 £13.2m has been approved in respect of 19 schemes. A schedule of the 2021/22 allocations is included in Appendix 2 for information.
7. Central Funding of £26.7m has been agreed for the 2022/23 new bids of which draw-downs of £6.6m have been approved in respect of 12 schemes. A schedule of the 2022/23 allocations is included in Appendix 3 for information.
8. 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).
9. 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.
10. The Enhancing Cheapside scheme was part of the 2023 CIL and OSPR Capital Bids (Quarter 1 - 2023/24) paper that was approved by RASC on the 5th September.

## Current Requests for the Release of Funding

11. There are three schemes with 'in principle' funding approved as part of the capital bids that have progressed through the gateways, for which release of up to £0.389m is requested:

<b>Table 2: Project Funding Requests</b>	Next Gateway	Funding Status	Capital Bid Round	City Fund	City's Cash	Bridge House Estates	Total
				£m	£m	£m	£m
<b>Funding to progress to next Gateway</b>							
Guildhall School of Music & Drama Heating, Cooling & Ventilation	GW4		2021/22		0.155		0.155
Barbican and Golden Lane Healthy Streets	GW3		2021/22	0.109			0.109
Enhancing Cheapside	GW3/4		2023/24	0.125			0.125
				<b>0.234</b>	<b>0.155</b>	-	<b>0.389</b>

12. Further details of the individual schemes are provided in Appendix 4 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. Funding for these schemes can be met from the provisions set aside from the CIL balances of the City Fund £0.234m and £0.155m from City Cash.

### **Conclusion**

15. 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](mailto:Yasin.Razaq@cityoflondon.gov.uk)