

<p>Committee(s): Policy and Resources Committee – For Decision Resource Allocation Sub Committee - For Decision Finance Committee – For Information City Bridge Foundation Board</p>	<p>Dated: 18 January 2024 23 January 2024 24 January 2024 7 February 2024</p>
<p>Subject: CIL, OSPR and Capital Bids (Quarter 3 - 2023/24)</p>	<p>Public</p>
<p>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</p>	<p>The capital bids span all 12 outcomes of the Corporate Plan</p>
<p>Does this proposal require extra revenue and/or capital spending?</p>	<p>Yes - subject to decisions agreed, ring-fenced monies held will be committed to future approvals</p>
<p>If so, how much?</p>	<p>up to £11.715m OSPR and £30.08 CIL; 2023/24 Capital Contingencies – City Fund £3.0m, City's Estate £2.925m; New Capital Bids: City Fund £2.3m, City's Estate £1.175m and City Bridge Foundation £0.4m</p>
<p>What is the source of Funding?</p>	<p>City Fund (including CIL and OSPR), City's Estate & City Bridge Foundation</p>
<p>Has this Funding Source been agreed with the Chamberlain’s Department?</p>	<p>Yes</p>
<p>Report of: Caroline Al-Beyerty, The Chamberlain and Bob Roberts, Interim Executive Director Environment Department</p>	<p>For Decision</p>
<p>Report author: Bhakti Depala, Assistant Director - City Development and Investment Unit and Yasin Razaq, Capital and Project Manager, Chamberlain’s</p>	

Summary

The committee are asked to consider the amendments to the Terms of reference of the Priorities Board at Appendix 1.

The Priorities Board met on 6th December 2023 to consider bids for allocation from the City's Community Infrastructure Levy (CIL) and On-Street Parking Reserves (OSPR). Five bids for CIL and OSPR were received for the infrastructure projects summarised below (see paragraph 9 for detail of programmes):

- **Street Cleansing Resources Reintroduction: £1,413,000 annually from OSPR** (£1,413,000 from financial year 2023/24 and ongoing each year over the 5-year MTFP OSPR forecast). **Total £7.065m.**
- **Street Decluttering: £350,000 from OSPR** (£350,000 for financial year 2024/25)
- **Cyclical Works Programme (CWP) - City Fund Car Parks: £4,300,000 from OSPR** (£1,663,500 for financial year 2024/25; £1,158,500 for financial year 2025/26; £712,000 for financial year 2026/27; £73,500 for financial year 2027/28; and £692,500 for financial year 2028/29)
- **Museum of London Project: £30,000,000 from CIL** (estimated spend £15,000,000 from financial year 2024/25 and £15,000,000 from financial year 2025/26)
- **Sculpture in the City: £80,000 from CIL** (£80,000 for financial year 2023/24).

These are put before the committee for consideration for funding in financial years 2023/24 to 2027/28 - The Priorities Board agreed to recommend all the projects listed.

The board also considered an uplift in funding for the Enterprise Resource Planning (ERP) implementation, particularly around the use of capital contingencies and further use against the new capital bids envelope totalling £9,595,231. The uplift has been approved by Digital Services Committee (as host committee for the ERP project) and Finance Committee was supportive of the budget uplift at the December meeting.

Policy and Resources Committee are asked to review the projects as recommended by Priorities board against the CIL and OSPR funding priorities detailed in the body of the report, and to agree the funding recommendations of the Priorities Board.

Recommendation(s)

Members of the **Policy & Resources Committee** are invited to:

1. Delegate authority for the consideration of the following items to the Town Clerk, in consultation with the Chairman and Deputy Chairman, following scrutiny by, and recommendation from, the **Resource Allocation Sub-Committee** at its meeting of 23 January 2024:

- a) amendments to the Terms of Reference of the Priorities Board as set out in Appendix 1.
 - b) recommendations of the Priorities Board to allocate £30.08m of CIL to the new Museum of London and Sculpture in the City projects and £11.715m of OSPR to the projects listed in the summary above.
 - c) Approval of the Cyclical Works Programme funding requirements over the medium-term-financial plan against OSPR to be included in 2024/25 budget setting and medium-term financial planning.
2. Agree the additional uplift requested for the ERP totalling £9,595,231 (of which £400k is proposed to be funded by the City Bridge Foundation (CBF) and is subject to a decision by the City Bridge Foundation Board.
 3. Agree the proposal to address the Network Refresh Project funding gap (which has increased from £4.5m to £8.3m) through residual funding from completed projects and or future years contingencies.

Members of the City Bridge Foundation Board are invited to:

4. Agree the additional uplift requested for the ERP totalling £9,595,231 which requires £400k funding from City Bridge Foundation (CBF), to be considered as being in the best interests of the charity, noting the separate legal duties of the City Corporation as a Trustee.
5. Note in relation to the Network Refresh Project, work is being undertaken to establish a more accurate CBF contribution, with an allocation to be based on the buildings that are expected to receive the refresh works.

Main Report

Background

1. RASC agreed at their meeting on 12 December 2022 to establish new governance arrangements for the allocation of the City CIL and OSPR. The terms of reference for the Priorities Board were also agreed at that meeting. The terms of reference set out the membership of the Priorities Board, its purpose, and priorities as detailed below. Amendments to the terms of reference were proposed at the Priorities Board on 6th December 2023 to note change in the members of the Priorities Boards, confirm their wider functions and their recommendations to the decision makers. The amended terms of referenced are in appendix 1.
2. CIL projects are prioritised as follows:
 - **Critical:** lack of infrastructure is a physical constraint to growth; development cannot come forward if the infrastructure is not provided.
 - **Essential:** development cannot come forward in a sustainable and acceptable way if the infrastructure is not provided.

- **Important:** development can come forward if the infrastructure is not delivered, but some sustainability goals will need to be compromised and some adverse impacts accepted.

3. The process for recommending the allocation of OSPR by the Priorities Board will include consideration of the need for additional revenue funding for highway and cleansing maintenance operations, to ensure an appropriate balance between capital and revenue spend.
4. For OSPR, bids will need to demonstrate that they meet one of the following criteria:
 - Revenue funding for highway and cleansing maintenance operations;
 - Investment in off-street car parks;
 - Projects which are aligned to the outcomes of the Transport Strategy, with additional priority given to projects necessary for the delivery of Vision Zero by reducing serious and fatal collisions and improve accessibility.
5. Recommended prioritisation of CIL/OSPR will also take account of the extent to which projects support delivery of other strategies and initiatives, including the Climate Action Strategy and Destination City.

Current Position

6. As at 27th November 2023, the City held a balance of £44.9m in General City CIL (excluding 15% Neighbourhood CIL and admin 5%). Further CIL income of £48.0m is projected up to 2027/28 as shown in Table 1 below. Currently for 2023/24 onwards, £39.1m has been committed to several approved schemes, therefore funding of £53.8m (forecast until 2027/28) is available to be allocated to new schemes.

Table 1 - General CIL Financial Summary:

	End of 2022/23 Actual £'000	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000	Total £'000
Cumulative income (including projections)	(57,721)	(11,018)	(8,838)	(9,103)	(9,376)	(9,657)	(105,712)
Allocations	12,743	20,565	11,677	4,359	2,531	0	51,875
Surplus (income minus allocations)	(44,978)	(35,413)	(32,591)	(37,335)	(44,180)	(53,837)	(53,837)

7. As at 21st November 2023, the City held an opening balance for 2023/24 of £56.2M in OSPR. Further income of £46.5m is projected up to 2027/28 as shown in Table 2 below. Currently for 2023/24 onwards, £83.8m has been committed to several

approved schemes, therefore funding of £18.9m (forecast until 2027/28) is available to be allocated to new schemes.

Table 2 - OSPR Financial Summary:

	2022/23 Actual £'000	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000	TOTAL £'000
Expenditure - salaries, enforcement contract, other running expenses	3,652	4,094	4,022	4,143	4,267	4,395	24,573
Income - PCN's, parking meters, suspended bays, dispensations	(13,838)	(12,642)	(13,099)	(13,492)	(13,897)	(14,314)	(81,281)
NET REVENUE SURPLUS GENERATED IN YEAR	(10,186)	(8,548)	(9,077)	(9,349)	(9,630)	(9,919)	(56,709)
TOTAL OF CAPITAL, SRP & REVENUE COMMITMENTS	5,620	23,575	8,318	1,947	1,509	1,591	42,560
TOTAL BIDS (AGREED BY PRIORITIES BOARD)	0	4,748	10,521	8,761	2,110	2,110	28,250
TOTAL CAPITAL BIDS & MAJOR SCHEME DEPENDENCIES AND ON-HOLD	0	6,764	4,770	2,350	2,300	2,387	18,571
DEFICIT/(SURPLUS) Brought Forward @1st April	(51,652)	(56,218)	(29,679)	(15,147)	(11,438)	(15,149)	
DEFICIT/(SURPLUS) Carried Forward @ 31st March	(56,218)	(29,679)	(15,147)	(11,438)	(15,149)	(18,980)	

8. It should be noted that these figures are based on future income levels that are projections and will need to be refined each year. Additionally, the CIL and OSPR ring-fenced funds cannot move into a deficit position in any one year, so phasing of schemes will be crucial to avoid this happening.

Options

9. The project options for allocation of funding of CIL and OSPR are listed in the table 3 below.

Table 3 - Project Bids - Quarter 1 (2023/24):

Proposed Bid	CIL requested £m	OSPR requested £m	Funding Priority
Street Cleansing Resources Reintroduction	-	1.413pa (£7.065m over 5 year OSPR MTFP forecast)	OSPR - Highway and cleansing maintenance operations.
Street De-Cluttering	-	0.350	OSPR - Revenue funding for highway and cleansing maintenance operations -Projects that support the outcomes of the Transport strategy - City of London
Cyclical Works Programme (CWP) - City Fund Car Parks	-	4.300	OSPR - Investment in off-street car parks - Supports the outcomes of the Transport Strategy

Museum of London/ General Market - Fabric and infrastructure improvements	30.000	-	CIL – Essential
Sculpture in the City	0.080	-	CIL – Important
Total	30.080	11.715	

Proposals

- **Street Cleansing Resources Reintroduction - OSPR (£1.413m per annum and £7.065m over 5 year OSPR MTFP forecast)**
- OSPR would be applied towards projects delivering **Priority 1 – Highway Cleansing Maintenance Operations**. The funding would seek to maintain and enhance the appearance of streets and the cleansing standards within the City. The request for funding is ongoing, annually with the outcomes of the additional funding closely monitored through a series of performance measures including contract KPIs with the service provider (Veolia), independent surveys from Keep Britain Tidy and in-house data such as FPN enforcement **Street de-cluttering – OSPR (£350,000)** would apply OSPR towards projects delivering **Priority 1 - highway cleansing maintenance operations** and **Priority 3 - Projects that support the outcomes of the Transport strategy outcomes**. Funding is sought for one year, April 2024 – March 2025.
- **Cyclical Works Programme (CWP) - City Fund Car Parks – OSPR (£4.3m)** seeks to apply OSPR towards the delivery of the car park’s maintenance requirements which are currently funded through the cyclical works programme. This bid seeks to directly fund the car park maintenance works programme through OSPR. Specific funding is included within this report for the next five years, but it is proposed to make OSPR the principal funding source for car park maintenance going forward in accordance with the statutory ringfencing criteria. Funding requirements in the long term will also take into account any future car park closures to ensure money is not committed unnecessarily. **Priority 2 - Investment in off-street car parks** and **Priority 3 - Supports the outcomes of the Transport Strategy projects**.
- **Museum of London/ General Market - Fabric and infrastructure improvements – CIL (£30m)**
Museum of London bid would apply CIL to essential improvement works to secure the fabric of the existing market buildings to facilitate the redevelopment of the site for the new Museum of London. The project would support the sustainable development of the market buildings and support further development of the area. The Infrastructure Delivery Plan March 2021 (IDP) acknowledges that cultural infrastructure is important to the City’s character and within a globalised context, supporting a world class destination for tourism. The City has ambitious plans for the Museum of London relocation which is listed as an **essential** project in the IDP. The use of CIL funding would not

constitute additional funding but allows City Fund to reallocate to support the Cyclical Works Programme as supported by Finance Committee in December. The Museum of London project is a flagship development for the City. Project approval will be reflected as a priority in the Infrastructure Funding Statement 2022/23.

- **Sculpture in the City – CIL (£80,000)** - Sculpture in the City have submitted a one-off bid for CIL funding towards the delivery of a rotating, outdoor, urban sculpture park. Since 2010, the project has been led by the Built Environment/Environment Dept and is a public-private partnership between the City of London and 11 organisations from the development, insurance, and finance sectors. The project has been identified as **Important** as it would deliver cultural infrastructure which in turn would increase footfall, spend and the attractiveness of the City Cluster area, identified as a key area of change. Due to budget restrictions, stakeholders have been made aware that there will be no further City of London Corporation funding.

The Sculpture in the City project is in a period of transition and its future will be considered as part of the review. The outcome of the review will confirm the continuation of Sculpture in the City in the years going forward, notwithstanding, Priority Board members agreed a 'one off' CIL contribution of £80,000 and alternative funding sources should be sought in the future.

Other Capital Bids and SRP Project Bids

10. As part of the annual bids process for 2024/25, 14 bids were endorsed by RASC, Finance Committee, CBF Board during November 2023 and Policy and Resources Committee on 14th December 2023, based on recommendations from the Priorities Board meeting of 12th October 2023. These will now progress through the budget setting cycle to Finance Committee, the CBF Board in February 2024 and before final decision by Court of Common Council in March 2024.
11. The financial impact of the current approved 2024/25 bids in addition to the changes outlined to the ERP are outlined in table 7 below.

HR, Payroll, Finance Solution, ERP (Enterprise Resource Planning)

12. The ERP replacement programme's objective is to provide the City Corporation with a fully integrated HR, Payroll, Finance and Procurement solution. Following approval of gateway 3 and initial commercial tender exercise; SAP 4/HANA has been chosen as the preferred bidder. Work is underway to finalise the procurement arrangements for a System Integrator (SI) to support the Corporations' implementation.
13. As part of the work from Gateway 3 to Gateway 4, the Programme has established a detailed resource plan / budget based on the programme plans, scope and resource availability. A detailed review of resourcing identified the required days to

support the programme would be 17,235 days vs the original plan for 8,516. The reason for the increase is to ensure that the plan is based on named resource (or a confirmed need for external resource).

14. Where resources are working part-time on the programme, if this is in excess of 10 days per month, the assumption is that they will be fully allocated to the programme with backfill in place. The previous assumption that staff would be able to support the programme alongside their day job would cause inevitable programme delays and / or operational issues due to priority conflict. The change in budget is primarily to ensure that we have support from across the programme to deliver the programme and minimise the risk of delay.

Using the recent example of Birmingham City Council where the budget increased from £19m to £46m due to 2 primary factors:

- Failure to adopt a standard way of working and requesting customisations to the system, and
- Extension of the timeline from 18 months to 30 months with subsequent remedial works being required for a further 12 months.

15. A breakdown of the budget variance is included at Appendix 4 (non-public). The doubling of the budgeted days is the primary movement particularly on the change management workstream to mitigate the risk of business adoption / standardisation.

16. We have benchmarked this investment against other similar programmes. The £10m budget would have been more reflective of the resourcing required for a less complex authority but not the scale or change and transformation the City will require. Investing in business change will provide the platform to fundamentally review how we work, leverage the investment and transform our service delivery model.

17. The risk of not investing in the ERP solution for the corporation is that the current solutions are increasingly becoming unfit for purpose.

- Revenue costs are predicted to rise exponentially for our existing systems,
- Planned fundamental saving review benefits will not be delivered,
- Risk to the organisation through lack of data and wider costs of support, and
- City People currently adds to our current operational costs / Departmental workload / pressures – the impact of which negatively impacts the service / support we offer to staff.

18. As a result, the required budget has increased from £9.8m to £19.4m. The ERP solution will be deployed across the breadth of City Corporation, and this is reflected in the cost allocation across the three main funds. This is summarised in table 4 below:

Table 4 – Funding allocation across funds for ERP programme

	City Fund £m	City's Estate £m	City Bridge Foundation £m	Total £m
Original Budget (£9.8m)	5.30	4.1	0.4	9.8
Required Increase (£9.6m)	5.20	4.0	0.4*	9.6
Total	10.50	8.1	0.8*	19.4

**The additional amounts attributable to CBF are subject to review and separate approval by CBF Board.*

It is recommended the additional amounts required are approved from the following areas:

Table 5 – Funding proposals against additional funding requirements on ERP

	City Fund £m	City's Estate £m	City Bridge Foundation £m	Total £m
23/24 Capital Contingencies	3.0	2.9	0.0	5.9
24/25 New Capital Bids	2.2	1.1	0.0	3.3
Unrestricted Funds	0.0	0.0	0.4	0.4
Total Funding	5.2	4.0	0.4	9.6

Members are asked to note allocating 2023/24 capital contingencies to the ERP will fully exhaust these contingencies and will not be available for any other use. Given that we are in the final quarter of the financial year, the risk is low.

The financial impact on the 2024/25 new capital bids in addition to the changes outlined to the ERP are outlined in table 6.

Table 6 – Revised Total 2024/25 New Capital Bids

	City Fund £m	City's Estate £m	City Bridge Foundation £m	Total £m
Bids approved by P&R	12.2	3.7	0.6	16.5
ERP Increase	2.2	1.1	0.4	3.7
Total	14.4	4.8	1.0	20.2

Members are asked to note the totals against City Fund and City's Estate remains within the overall envelopes approved by Policy and Resources Committee.

19. The Network Refresh project was part of the bids approved by P&R in December with an indicative amount of £4.25m approved in order to comply with the agreed budget envelope for 24/25. Subsequently more detailed scoping work has been carried out and the estimate has increased to £8.3m (£8m for 24/25 and £0.3m for 25/26 based on initial phasing estimates). Therefore, the new requirement for City's Estate in 24/25 would be over and above the £5m total envelope available for new projects. Any additional funding for City's Estate and City fund will first be considered through residual funding from completed projects and then through future years contingency for capital funding being brought forward. The project will be subject to gateway process which requires more detailed reports at each stage prior to the budget being released, so funding will need to have been confirmed at this point. There is also work being undertaken to establish a more accurate CBF contribution, with an allocation based on the buildings that are expected to receive the refresh works.

Cyclical Works Programme Funding Update

20. Further information on the CWP funding proposal is outlined in the [background report endorsed on the 12th December 2023 by the Finance Committee](#).

Corporate & Strategic Implications

Strategic Implications

21. The Museum of London project is a key strategic project that will play a substantial role in the delivery of the Corporate Strategy and other strategies including Destination City and the City Plan 2040. The delivery of cultural infrastructure through Sculpture in the City aligns with the Destination City.

Financial Implications

22. CIL general (excluding Neighbourhood CIL 15% and Admin CIL 5%) currently has forecast available funds of £53.837M up to 2027/28. If all bids were to receive full funding requested (£30.08M), this would reduce the City CIL available balance to £23.757M for the period up to 2027/28.

23. OSPR currently has forecast available funds of £18.980M up to 2027/28. If all bids were to receive full funding requested (£11.715M), this would reduce the OSPR available balance to £7.265M for the period up to 2027/28.

24. It should be noted that these figures are based on future income levels that are projections and will need to be refined each year. Furthermore, the CIL and OSPR ring-fenced funds cannot move into a deficit position in any one year, so phasing of schemes will be crucial to avoid this happening.

25. Further City CIL (excluding Neighbourhood CIL 15% and Admin CIL 5%) to be received in this financial year (2023/24) is estimated to be £11.018M from

developments that have commenced, and the CIL liability is due to be paid within the next 6-12 months.

25. The 2023/24 Capital Contingency balances currently stand at £3m and £2.925m on City Fund and City's Estate respectively. If amounts are allocated against the ERP uplift this will bring the balance to zero.
26. The Capital and SRP project bids approved for City Fund and City's Estate are within the approved funding envelope of £20m and £5m respectively and will be met from the reserves of each fund.
27. At the time of writing this report, additional funding requirements for the Network Refresh projects still needs to be addressed.

Legal Implications

26. The proposed projects have been considered against the criteria for the use of CIL and OSPR and the ranking of each is set out above. The OSPR bids are in accordance with the Road Traffic Regulation Act 1984 and the London Local Authorities and Transport for London Act 2003.
27. The CIL bid would comply with Section 216 of the Planning Act 2008 and Regulation 59 of the Community Infrastructure Levy Regulations 2010 as the CIL would be applied to the provision, improvement, replacement, operation or maintenance of infrastructure (as defined) to support the development of the City.
28. Consideration should also be given to the list published by the City Corporation under Regulation 121A(1)(a) which is the City's statement of the infrastructure projects or types of infrastructure which the charging authority intends will be, or may be, wholly or partly funded by CIL (other than CIL to which regulation 59E or 59F applies). The City's list which was published in December 2022 consists of:
 - Beech Street Transport & Public Realm Improvements
 - Hostile Vehicle Mitigation Security Programme
 - Eastern City Cluster Security
 - City Mental Health Centre
 - Secure City Programme CCTV & Telecommunications
 - Secure City Programme
 - Public Realm Security Programme

The legislation does not prevent the funding of qualifying infrastructure, which is not on this list, however this list is likely to create an expectation that sufficient CIL will be retained to deliver the infrastructure set out. The Infrastructure Funding Statement (IFS) is updated annually. The next IFS is due at the end of the calendar year, and it is the intention to update this to include the Museum of London. The IFS is approved by Planning and Transportation Committee and is scheduled for early 2024.

Risk Implications

29. There are risks associated with development in the City not being brought forward if the Critical and essential infrastructure projects are not progressed.

Equalities Impact

30. There are no equalities implications associated with the proposals within this report. Each project will undertake an equalities assessment.

Conclusion

31. The guidance for allocating CIL firstly identifies if the type of project is infrastructure in accordance with Test 1. All the project bids received are identified as infrastructure. Test 2 requires consideration if the proposed infrastructure is needed to support the development of the City. For the CIL funded projects that have been identified as *Critical*, *Essential* or *Important*, each project has been assessed in accordance with these criteria, as set out in paragraph 5.

32. The requests for OSPR meet the funding priorities and considered to be in accordance with the applicable legislation.

33. The Policy and Resources Committee and the Finance Committee are asked to approve the allocation of CIL/OSPR funds and the uplift in the ERP project budget as recommended by the Priorities Board.

Appendices

Appendix 1 – Updated Priorities Board Terms of Reference

Appendix 2 – CIL and OSPR Funding Bids Q3 2023-24

Appendix 3 - ERP Budget Breakdown (non-public)

Background Papers

[CWP Funding Strategy – Finance Committee 12/12/2023](#)

Bhakti Depala

Assistant Director, City Development Investment Unit

E: bhakti.depala@cityoflondon.gov.uk

Yasin Razaq

Capital and Project Manager, Chamberlain's

E: Yasin.Razaq@cityoflondon.gov.uk