

Committee(s): Resource Allocation Sub Committee Policy & Resources Committee	Date(s): 11 March 2024 18 March 2024
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 City Bridge Foundation (CBF), 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?	23.3.m
What is the source of Funding?	£22.7m -City Fund, £0.56m City Estate and £0.05m CBF
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of: The Chamberlain	For Decision
Report author: Yasin Razaq, Capital and Projects Manager	

Summary

The purpose of this report is for Members to consider release (following gateway approvals) to allow schemes to progress.

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 total amount of funding approved is £230.5m, £62.86m has been released to date, this doesn't include the 24/25 new bids approval going to Court of Common Council on the 7th March 2024. Appendix 1-3 have further detail.

Release of £23.3m 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) 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 £23.3m for the schemes progressing to the next Gateway in Table 2 from City Fund £22.7m (including £3.65m for OSPR and £3.5m CIL), City Estate 0.56m and £0.05m from CBF.

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.

The new bids process for 24/25 has taken place with final approval on the 7th March by Court of Common Council

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 CBF¹. This means that projects funded from most ring-fenced funds, such as the Housing Revenue Account,

¹ 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 City Bridge Foundation

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. The total amount of funding approved is £230.5m, £62.86m has been released to date, this doesn't include the 24/25 new bids approval going to the Court of Common Council on the 7th March. Appendix 1-3 have further detail.
6. St Paul's Gyrotory, Pedestrian Priority Programme and West Smithfield Charterhouse Strengthening have been approved as part of the CIL & OSPR bidding process.
7. The updated capital programme including 24/25 new schemes will be approved by Court of Common Council on the 7th March.

Current Requests for the Release of Funding

8. 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 £23.3m is requested:

Table 2: Project Funding Requests	Next Gateway	CIL/OSPR	MTFP Total Project Spend	Capital Bid Round	City Fund	City's Cash	Bridge House Estates	Total
		R	£m		£m	£m	£m	£m
<u>Funding to progress to the next gateway.</u>								
I.T - Rationalisation of Financials, HR & Payroll Systems (ERP project)	GW5		19.400		0.649	0.501	0.049	1.200
St. Paul's Gyrotory Transformation Project	GW4C	OSPR	7.200		2.116			2.116
Pedestrian Priority Programme		OSPR	2.600		1.540			1.540
Queen's Park Sandpit Playground	GW6					0.055		0.055
West Smithfield and Charterhouse Street Highway Strengthening	GW6	CIL	3.500		3.500			3.500
Barbican Fire Safety Projects	GW6		16.000		14.800			14.800
Barbican Art Chiller	GW5		0.400		0.126			0.126
					22.731	0.556	0.049	23.337

9. 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 CIL balances of the City Fund £22.7m, £0.56m City Estate and £0.05m City Bridge Foundation.

Conclusion

12. 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

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