

Committee(s): Resource Allocation Sub Committee – For decision Policy and Resources – For decision	Date(s): 17 October 2019 17 October 2019
Subject: Capital Funding Update	Public
Report of: The Chamberlain	For Decision
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Summary

This report follows on from the main capital prioritisation paper agreed in April and subsequent funding approvals in May and July. It proposes the release of funding from the On Street Parking Reserve of up to £2.428m for a scheme to undertake repairs and waterproofing works to the pipe subways of Holborn Viaduct and Snow Hill over Thameslink, previously approved for progression outside of the Fundamental Review.

Attention is also drawn to a separate report on the non-public agenda requesting authority to progress a proposal outside of the Fundamental Review and the annual bid process in order to facilitate a new community facility. At this stage precise costs are uncertain and will be subject to further approval.

Under the Fundamental Review, the allocation of new funding for capital schemes is generally subject to the new annual capital bid process. Chief Officers are currently in the process of finalising their new bid proposals as part of the preparation of their annual business plans and budgets for 2020/21. Following approval by service committees, these bids will be presented to Members in December for consideration against the agreed corporate prioritisation criteria.

Recommendations

Members are asked to:

- i. Agree the allocation of up to £2.428m from the On-Street Parking Reserve to allow the progression of a scheme to undertake repairs to the pipe subways of Holborn Viaduct and Snow Hill over Thameslink, subject to the approval of the requisite gateway reports.
- ii. Note the request to allow a proposal to facilitate a new community facility to progress outside of the Fundamental Review and annual capital bid process. (Details contained in a separate report on the non-public agenda.)
- iii. Note that under the new annual capital bid process the 2020/21 capital funding bids will be presented in December for consideration against corporate priorities.

Main Report

Background

1. Members have agreed it is essential to prioritise effectively capital and SRP projects to be progressed, with funding allocated in a measured way by applying a process of prioritisation that ensures corporate objectives are met and schemes are affordable.
2. Earlier in the year, all pre gateway 5 projects requiring central funding, with a combined estimated cost of £429m, were subjected to an interim assessment against the following criteria:

Projects classified as **essential** which:

- i. Address a risk on the corporate risk register;
 - ii. Have a sound business case that clearly demonstrates the negative impact of deferring the scheme, i.e. penalty costs or loss of income, where these are material (if any schemes are deferred, cancelled or scope reduced there will inevitably be some abortive costs); and
 - iii. Fall within the following categories:
 - Health and safety compliance
 - Statutory compliance
 - Fully/substantially reimbursable
 - Spend-to-save or income- generating, generally with a short payback period (as a rule of thumb within 5 years)
 - Major renewals of income generating assets
 - Subsidiary categories to allow schemes that will ultimately result in a corporate risk:
 - replacement of critical end-of-life components for core services;
 - schemes required to deliver high priority policies; or
 - schemes with a high reputational impact.
3. This assessment resulted in schemes totalling £89m being agreed for progression outside of the Fundamental Review, with the remaining £340m being placed on hold pending the development of further prioritisation criteria.

Current Position

Bids for Approval

4. There is one scheme previously agreed for progression that is now at Gateway 4(a) of the Project Procedure – Inclusion in the capital programme – for which the release of funding of up to £2.428m is now requested:

Pipe Subways of Holborn Viaduct and Snow Hill Over Thameslink Repairs – total estimated cost of £2.666m plus £75k costed risk

- This project, which was originally placed on hold, was subsequently agreed for progression outside of the Fundamental Review on an exceptional basis due to the deteriorating state of the structures and also to recognise potential benefits from the synergy with the Museum of London Tunnel Lids project.
 - At that time the cost was estimated at up to £10m. The latest estimated cost is £2.666m plus a costed risk allowance of £75k.
 - After allowing for the £313k budget previously approved, the Corporate Priorities Board proposes the allocation £2.428m from the balances currently available in the On-Street Parking Reserve.
5. Members are also asked to note a proposal to progress a new scheme outside of the Fundamental Review and the annual capital bid process. This scheme, which is to facilitate a new community facility in the City, meets the prioritisation criteria for progression as the new facility is largely externally funded, with only a minimal contribution from the City anticipated. At this stage the precise cost to the City is uncertain and will be subject to further approvals following negotiation. Progression in advance of the annual bid process is deemed necessary due to the timing of the construction, which is outside of our control. Details of this proposal are contained in a separate report on today's non-public agenda.

Annual Bid Process Update

6. Members have approved the introduction of an annual capital bid process to ensure that proposed new schemes are affordable and prioritised against criteria developed through the Fundamental Review, providing the opportunity to consider all bids across the organisation against the same criteria at the same time.
7. Chief Officers are currently in the process of finalising their new bid proposals as part of the preparation of their annual business plans and budgets for 2020/21. All bids will initially be approved and prioritised by service committees before being brought together for your December meeting. Schemes approved for progression will subsequently be incorporated into the updated medium-term financial plans to assess overall affordability.

Conclusion

8. One scheme that has previously been agreed for progression outside of the Fundamental Review has now reached Gateway 4(a) – Inclusion in the Capital Programme. Funding of up to £2.428m for a scheme to undertake repairs to the pipe subways of Holborn Viaduct and Snow Hill over Thameslink is requested for release from the On-Street Parking Reserve.
9. Members are also asked to note a proposal to progress the facilitation of a new community facility outside of the Fundamental Review and the annual bid process. Details of this proposal are contained in a separate report on today's non-public agenda.

10. Chief Officers are in the process of compiling their new annual capital bids as part of the preparation of their annual business plans and budgets for 2020/21. All bids will be presented in December for consideration against agreed corporate priorities.

Appendices

None

Background Papers

- Capital and Supplementary Revenue Project Funding – Fundamental Review and Interim Revised Prioritisation Process: Policy and Resources Committee, 21 February 2019 (Public).
- Capital Funding – Interim Revised Prioritisation and Project Funding Update April 2019 (Public)

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