

Committee(s): Resource Allocation Sub Committee Policy and Resources Finance Committee Court of Common Council	Date(s): 12 December 2019 12 December 2019 21 January 2020 Urgency
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, July and October. It proposes the release of £2.625m to fund two schemes agreed for progression outside of the fundamental review. A contribution of up to £1.375m from City's Cash reserves is required to progress repair works to the earth embankment dams of Baldwins and Birch Hall Park ponds at Epping, to prevent further deterioration from leakage and internal erosion and also overtopping and dam failure during extreme storm events. Up to £1.25m from City Fund reserves is required for replacement of the end of life airwave radio police communication system.

The allocation of new funding for capital schemes, other than those previously agreed for progression outside of the Fundamental Review, is subject to the new annual capital bid process. Details of the new bid submissions for 2020/21 are contained in a separate report on today's agenda.

Recommendations

Members are asked to agree the allocation of central funding of up to £2.625m to allow two schemes to progress, subject to the requisite gateway approvals:

- i. Up to £1.375m from City's Cash reserves as a contribution to the cost of the Baldwins and Birch Hall Park pond works.
- ii. Up to £1.250m from City Fund reserves to meet the cost of a replacement airwave radio communication system.

Main Report

Background

1. Members have agreed it is essential to prioritise effectively any capital and SRP projects to be progressed, with central 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:
 - o Health and safety compliance
 - o Statutory compliance
 - o Fully/substantially reimbursable
 - o Spend-to-save or income- generating, generally with a short payback period (as a rule of thumb within 5 years)
 - o Major renewals of income generating assets
 - o 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.

Current Position

Bids for Approval

4. There are two schemes previously agreed for progression that are now at Gateway 4(a) of the Project Procedure – Inclusion in the capital programme – for which the release of funding of up to £2.625m is now requested:
 - i. Baldwins and Birch Hall Park Ponds Repairs – funding of up to £1.375m now requested
 - o This scheme involves repair works to the earth embankment dams of two large ponds to prevent further deterioration from leakage and internal erosion and also overtopping and dam failure during extreme storm events.
 - o This project was agreed for progression outside of the fundamental review on essential health and safety grounds. Whilst these ponds do not currently fall within the same legislative requirements that necessitated the Hampstead Heath Ponds project, they still pose risks under Health and Safety and Occupiers Liability Acts and the proposed works will mitigate flood risks to members of the public and the downstream community.

- The total cost (excluding risk) is estimated at £1.335m, of which £40k has been spent and funded. Baldwins Pond is located on Epping Forest land and is therefore eligible for funding from the Epping Forest Capital Fund, of which there is an unallocated balance of £300k. This leaves a funding shortfall of £995k, plus a costed risk provision of up to £380k. Therefore, the allocation of central funding of up to £1.375m is now requested. It is proposed that this be met through an additional draw down from City's Cash reserves, with £30k to be released now to reach the next gateway and the remainder subject to the approval of the gateway 5 report by Chief Officer.
- ii. Police Airwave Refresh – funding of up to £1.25m now requested
- The current stock of police Airwave radios which provide the critical voice communications are end of life and there is an urgent requirement to provide an interim solution pending the anticipated replacement via the Home Office Emergency Services Mobile Communications Programme (2022 at the earliest).
 - Recognised as essential to operational capability, this project was agreed for progression outside of the fundamental review with funding provided from City Fund reserves.
 - The total estimated cost of replacement is up to £1.25m, of which £29.7k is required now to reach the next gateway with the remainder subject to the approval of the gateway 5 report by Chief Officer.

Annual Bid Process Update

5. 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. Details of the new bid submissions for 2020/21 are contained in a separate report on today's agenda.

Conclusion

6. Release of funding of up to £2.625m is now requested for two schemes that have previously been agreed for progression outside of the Fundamental Review:
 - i. Up to £1.375m from City's Cash reserves as a contribution to the cost of the Baldwins and Birch Hall Park pond works
 - ii. Up to £1.250m from City Fund reserves to meet the cost of a replacement airwave radio communication system.
7. The allocation of new funding for capital schemes, other than those previously agreed for progression outside of the fundamental review, is subject to the new annual capital bid process. Details of the new bid submissions for 2020/21 are contained in a separate report on today's agenda.

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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