

## Report – Finance Committee

### Capital Funding Requests

*To be presented on Thursday, 16<sup>th</sup> January 2020*

*To the Right Honourable The Lord Mayor, Aldermen and Commons  
of the City of London in Common Council assembled.*

#### **SUMMARY**

In April 2019, the annual capital prioritisation approach was approved, which identified projects to be progressed outside of the Fundamental Review and the resources that would be required to be allocated to them. Subsequent to this, funding approvals were considered in May, July and October to allow the progression of a number of those projects that it had been agreed could be advanced outside of the Fundamental Review and which addressed risks on the corporate risk register, had sound business cases that clearly demonstrated the negative impact of deferring the scheme, or met certain defined criteria (e.g. health and safety compliance requirements, statutory compliance requirements, and so on).

The release of £2.625m is now proposed to fund two of the previously identified schemes which meet the criteria 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 also required for replacement of the end of life airwave radio police communication system.

Following approval by the Resource Allocation Sub-Committee and Policy & Resources Committee, the Finance Committee now recommends to the Court the requisite in-year budget adjustments to allow for the release of the funds and for these two projects to progress.

#### **RECOMMENDATION**

Members are asked to agree the allocation of central funding of up to £2.625m and the associated in-year budget adjustments to allow two schemes to progress, subject to the requisite Gateway approvals:

1. Up to £1.375m from City's Cash reserves as a contribution to the cost of the Baldwins and Birch Hall Park pond works.
2. 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 that it is essential to prioritise effectively any capital and Supplementary Revenue 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:
    - 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.

### 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:

#### ***Baldwins and Birch Hall Park Ponds Repairs – funding of up to £1.375m now requested***

5. 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.

6. This project was agreed for progression outside of the Fundamental Review as it met the criterion relating to 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.
7. 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. The allocation of central funding of up to £1.375m is, therefore, 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.

***Police Airwave Refresh – funding of up to £1.25m now requested***

8. 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).
9. Recognised as essential to operational capability, this project was agreed for progression outside of the Fundamental Review as it met the criterion for replacement of critical end-of-life components for core services. Funding is to be provided from City Fund reserves.
10. 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.

**Conclusion**

11. Release of funding of up to £2.625m is hereby 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.
12. The Court is asked to approve the requisite budget adjustment and draw-down of these funds to allow the projects to progress.

All of which we submit to the judgement of this Honourable Court.

DATED this 7<sup>th</sup> day of January 2020.

SIGNED on behalf of the Committee.

**Jeremy Paul Mayhew**  
Chairman, Finance Committee