

Committee(s)	Dated:
Streets and Walkways Committee for information Project Sub Committee for decision Planning and Transportation Committee for decision	04/12/2018 12/12/2018 18/12/2018
Subject: Review of projects within the Built Environment Directorate	Public
Report of: Carolyn Dwyer, Director of the Built Environment	For Decision
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Summary

This report proposes a review and prioritisation of transportation and public realm projects within the Department of the Built Environment (DBE) in order to best utilise available funds to deliver corporate priorities and enable continued development to support economic growth. The report also proposes a spending plan for S106 funds that complies with the terms of the agreements which generated the funds and mitigates the impacts of the related developments.

Background

The Director of Built Environment presented a projection of projects and capital expenditure for the next ten years at Resource Allocation Sub committee away-day in July 2018. This showed that there would be insufficient capital to fund all potential projects identified in the *Project Vision* system, in addition to emerging proposals (including those contained in the draft Transport Strategy and Eastern City Cluster Strategy), which will require further capital to deliver. The Chamberlain has also begun to model the cost of the City's major capital projects over the next ten years.

Currently, the majority of funding for DBE's transportation and public realm projects is provided via the Community Infrastructure Levy (CIL), Section 106, On-Street Parking Reserve (OSPR) and Section 278 contributions.

The Community Infrastructure Levy (CIL) has largely replaced S106 as a source of funding for DBE projects. Unlike S106 funding, CIL funding is not restricted geographically nor by purpose, provided it is used for delivering or improving infrastructure and addressing the demands that development places on an area. This flexibility means that CIL funding can be more easily pooled to deliver infrastructure changes City-wide. As this allows more choice on how the funding can be utilised, it is essential to establish a consistent and transparent process to guide CIL funding allocation decisions. It is proposed that this is linked to the Local Plan, Corporate Plan and other relevant policies. There is an opportunity to review the Transportation and Public Realm Division's projects to ensure that they are aligned with the Local Plan and the adopted Corporate Plan's aims and outcomes.

It is acknowledged that the City has ambitions to deliver major transformational projects over the next 10 years. It is therefore timely to conduct a review of the Division's project portfolio (including Highways Structures) to ensure sufficient funding and resources are in place to effectively support these corporate ambitions and enable continued development to support economic growth.

Over the past 10 years, the type of projects that the City has been delivering has evolved to include larger, more complex projects. This trend is likely to continue in support of the aspirations of the 'key areas of change' set out in the draft Local Plan and draft Transport Strategy. This approach is also consistent with the desire for Projects Sub Committee to move to a programme approach.

Proposed Review and Scope

In the context of this changing funding and corporate policy environment, officers propose to review current Transportation and Public Realm projects (including Highways Structures) and the anticipated future projects (including those contained within the draft Transport Strategy and draft Eastern City Cluster Strategy), to prioritise them, making best use of available CIL, OSPR and remaining S106 funds for Members to approve.

In preparing for this review, officers have considered all 146 Transportation and Public Realm (including Highways Structures) projects listed on the *Project Vision* system. A small number of projects led by the Highway Structures team are managed on behalf of other Departments. These projects are not addressed in this report.

Officers recommend that the following project categories should fall outside the scope of the proposed review:

- Projects fully funded by S278 agreement monies (17 projects)
- Projects previously approved at Gateway 5 and fully funded (31 projects)
- Highways Structures fully funded by the Bridge House Estate (4 projects)

In addition, there is approximately £10.9M unallocated S106 funding spread across 64 agreements, where the expenditure to mitigate the impacts of the developments which have generated the funds has not yet occurred. This could be for a variety of reasons, including the need to programme works with other developments in the vicinity. This unallocated funding is defined as monies not formally allocated by Members to a specific project. There are 11 projects that can be fully funded using £3.6M from this unallocated funding, the use of which is specific in geography and purpose. The expenditure on these projects complies with the terms of the agreements which generated the funds and mitigates the impacts of the related developments. It is proposed to also remove these 11 projects from the review. This leaves approximately £7.3M unallocated S106 funding. This must still be used to mitigate the impacts of the developments that generated the funds. However, in respect of this funding, either the S106 Agreements allow for flexibility as to the

specific works which will deliver the mitigation, or, with the developer's agreement, it may be possible to secure such flexibility regarding expenditure.

Recommendations on the use of this remaining £7.3M S106 funding will be made as part of this review for Members to approve.

Finally, officers have identified 43 pre-project proposals (at Gateway 0) listed on the *Project Vision* system that have not yet been initiated and no spend has been incurred. Whilst these proposals were never initiated as projects and therefore do not require project closure, it is nonetheless proposed to archive these in the *Project Vision* system.

This would leave 40 projects to review together with the anticipated future projects (including those contained within the draft Transport Strategy and draft Eastern City Cluster Strategy), to prioritise them, making best use of available CIL, OSPR and remaining S106 funds for Members to approve.

Proposed Approach and Methodology for the Review

Subject to Members agreeing the approach in this report, the following steps are proposed to aid the next stage of review and to prioritise the 40 projects. These steps are to:

- Review the current projects against the Local Plan, Corporate Plan, relevant policies and against corporate ambitions to deliver major capital projects over the next ten years.
- Review emerging projects (such as those contained in the draft Eastern City Cluster Strategy and draft Transport Strategy) against the Local Plan, Corporate Plan, relevant policies and against corporate ambitions to deliver major capital projects over the next ten years.
- Identify those current projects (out of the 40) that are proposed to continue to completion (together with a complete funding strategy) and those which are proposed to be stopped (together with proposals for the reallocation of any unspent funds).
- Prepare a draft ten year plan of future Transportation and Public Realm Division projects (including Highways Structures), which will include those current projects which are proposed to continue. The proposed allocation of CIL, OSPR and remaining S106 funding will be identified against each project to produce a complete funding strategy for each project. This plan will be reviewed annually to ensure that it keeps pace with changing priorities.

Recommendation(s)

Members are now asked to:

1. Agree the project prioritisation approach outlined in this report (paragraphs 15-18)

2. Agree that those projects which are fully funded by S278 monies (Table A), have Gateway 5 approval (Table B), are fully funded by Bridge House Estate (Table C) or are fully funded by S106 monies (Table E), fall outside the scope of this review.
3. Agree the allocation of S106 monies as set out in Table E (Appendix 3) and allocate any additional funding associated with the specified S106 agreements as a result of interest or indexation in accordance with Table E.
4. Note that the funding allocation set out in Table E (Appendix 3) is committed to the projects identified and will be transferred to project budgets upon Member approval of individual project reports via the Gateway approval process.
5. Agree to the archiving of 43 pre-project proposals (at Gateway 0) from the *Project Vision* system as set out in Table D.
6. Note that a forthcoming report will be brought to Committees in Quarter 1, 2019 which will outline a list of current projects to be continued, reduced in scope or stopped, for Members' approval
7. Note that a ten-year plan of future prioritised projects, to be reviewed annually, will be appended to the forthcoming report (described in recommendation 6).

Main Report

Background

Funding Environment

1. The Transportation and Public Realm Division has a project portfolio consisting of 146 projects (including 43 pre-project proposals). Over the past 10 years the scale of projects that has been delivered has increased in size and complexity to address the needs of a vibrant and thriving City. The Planning Act 2008 introduced the Community Infrastructure Levy (CIL) and the City Corporation adopted its CIL in July 2014. A consequence of this new levy is that it largely replaces the obligations that were on developers to make S106 payments where it was considered that a new development had an impact on the wider local environment.
2. This has brought about an important change in how funding may be used by the local authority. Whereas S106 funding is usually limited to a particular use or a geographic area in close proximity to the development under a legal agreement signed between the developer and the City Corporation, CIL funding may be used at the local authority's discretion across its district, or wider. It may also be used for a wider range of project types provided they are delivering improved local infrastructure and supporting development. However, pursuant to the provisions of the City's current Regulation 123 List, enabling infrastructure improvements, or site-specific mitigation measures, required to make developments acceptable in planning terms will still need to be funded through s106 or s278 agreements.

3. Local authorities are required to set out the types of infrastructure, or specific projects, that will be funded through CIL in a Regulation 123 List which must be published. Public consultation is required for any amendments to this List, once adopted. In accordance with the report to Policy and Resources Committee in November 2013, 40% of City CIL receipts are allocated to the Planning and Transportation Committee to determine the use of this funding across a variety of public realm and local transport improvements (as set out in the City's Regulation 123 List).
4. This changing funding environment creates an opportunity to review the projects to be funded from these sources of income.

Policy Context

5. The Corporate Plan has recently been adopted and sets out three aims and 12 outcomes for the City with a greater focus on the outcomes and benefits that the Corporation's activities accrue. The main outcomes that the Transportation and Public Realm Division's portfolio must deliver against are:
 - People are Safe and Feel Safe
 - We are digitally and physically well connected and responsive
 - We inspire enterprise, excellence, creativity and collaborative
 - We have clean air, land and water and a thriving and sustainable natural environment
 - Our spaces are secure, resilient and well-maintained.
6. The Local Plan was adopted in 2015 and is being revised to provide a framework for development up to 2036. The emerging Local Plan includes policy to guide 'key areas of change' and it is anticipated that these areas will both attract and require significant levels of change in development terms and in terms of local transportation and public realm. Consultation on the draft Local Plan is taking place between November 2018 and February 2019. Consultation is also underway on the City's a draft Transport Strategy during this same period.
7. This changing policy environment presents an opportunity to review Transportation and Public Realm projects to ensure they are better aligned with these plans' aims and outcomes.
8. It is acknowledged that the City has ambitions to deliver major transformational projects over the next 10 years. It is therefore timely to review the Division's project portfolio to ensure sufficient funding and resources are in place to support the Corporation's ambitions. Over the past 10 years, the type of projects that the City has been delivering has evolved to include larger, more complex projects. This trend is likely to continue in support of the aspirations of the 'key areas of change' set out in the draft Local Plan and draft Transport Strategy. This approach is also consistent

with the desire for Projects Sub Committee to move to a programme approach.

Proposal

Proposed Review and Scope

9. In the context of this changing funding and corporate policy environment, officers propose to review current Transportation and Public Realm projects (including Highways Structures) and the anticipated future projects (including those contained within the draft Transport Strategy and draft Eastern City Cluster Strategy), to prioritise them, making best use of available CIL, OSPR and flexible S106 funds for Members to approve.
10. In preparing for this review, officers have considered all 146 Transportation and Public Realm (including Highways Structures) projects listed on the *Project Vision* system. A small number of projects led by the Highway Structures team are managed on behalf of other Departments. These projects are not addressed in this report.
11. Officers recommend that the following project categories should fall outside the scope of the proposed review:
 - Projects fully funded by S278 agreement monies (17 projects)
 - Projects previously approved at Gateway 5 and fully funded (31 projects)
 - Highways Structures fully funded by the Bridge House Estate (4 projects)
12. In addition, there is approximately £10.9M unallocated S106 funding spread across 64 agreements, where the expenditure to mitigate the impacts of the developments which have generated the funds has not yet occurred. This could be for a variety of reasons, including the need to programme works with other developments in the vicinity. This unallocated funding is defined as monies not formally allocated by Members to a specific project. There are 11 projects that can be fully funded using £3.6M from this unallocated funding, the use of which is specific in geography and purpose. The expenditure on these projects complies with the terms of the agreements which generated the funds and mitigates the impacts of the related developments. It is proposed to also remove these 11 projects from the review. This leaves approximately £7.3M unallocated S106 funding. This must still be used to mitigate the impacts of the developments that generated the funds. However, in respect of this funding, either the S106 Agreements allow for flexibility as to the specific works which will deliver the mitigation, or, with the developer's agreement, it may be possible to secure such flexibility regarding expenditure. Recommendations on the use of this remaining £7.3M S106 funding will be made as part of this review for Members to approve.

13. Finally, officers have identified 43 pre-project proposals listed on the *Project Vision* system that have not yet been initiated and no spend has been incurred. Whilst these proposals were never initiated as projects and therefore do not require project closure, it is nonetheless proposed to archive these in the *Project Vision* system.
14. This would leave 40 projects to review together with the anticipated future projects (including those contained within the draft Transport Strategy and draft Eastern City Cluster Strategy), to prioritise them, making best use of available CIL, OSPR and remaining S106 funds for Members to approve.

Proposed Approach and Methodology for the Review

15. Subject to Members agreeing the approach in this report, the following steps are proposed to aid the next stage of review and to prioritise the 40 projects. These steps are to:
 - Review the current projects against the Local Plan, Corporate Plan, relevant policies and against corporate ambitions to deliver major capital projects over the next ten years.
 - Review emerging projects (such as those contained in the draft Eastern City Cluster Strategy and draft Transport Strategy) against the Local Plan, Corporate Plan, relevant policies and against corporate ambitions to deliver major capital projects over the next ten years.
 - Identify those current projects (out of the 40) that are proposed to continue to completion (together with a complete funding strategy) and those which are proposed to be stopped (together with proposals for the reallocation of any unspent funds).
 - Prepare a draft ten year plan of future Transportation and Public Realm Division projects (including Highways Structures), which will include those current projects which are proposed to continue. The proposed allocation of CIL, OSPR and flexible S106 funding will be identified against each project to produce a complete funding strategy for each project. This plan will be reviewed annually to ensure that it keeps pace with changing priorities.
16. Officers are proposing to work with the Corporate Strategy team and the Development Plans team on mapping projects against the outcomes of the Corporate Plan, the Local Plan and the other key strategies. Officers will review current and future projects against the following criteria:
 - Corporate Plan: determining to what extent projects deliver against aims and outcomes of this Plan, the draft Transport Strategy and the DBE Business plan (currently being revised):
 - City of London Local Plan 2015 and Draft Local Plan - key areas of change. 'Keys areas of change' focus on those parts of the City where significant change is expected over the next 20 years and where Transportation and Public Realm changes are likely to be necessary.

17. The level at which the project will deliver against each of the outcomes will be defined thereby producing a ranking of all of the projects in the project portfolio. Officers will then undertake a scope and funding review and produce a 10 year plan. This will include factors such as the ability to reduce the scope of projects whilst still achieving key outcomes.
18. Prior to the results of the review being reported to Committees, a Member briefing will be provided.

Future Projects

19. Following the completion of the prioritisation exercise, officers are proposing to develop a 'ten-year plan' of future Transportation and Public Realm Division programmes and projects. This will include funding strategies for each project and estimates of future income from available sources (using information from the Planning Division, in consultation with the Chamberlains Department) against estimates of spend during the same period. Officers propose to present a draft ten year plan of projects for Members' approval together with the results of this review. Officers also propose that this ten year plan be reviewed annually to ensure that it keeps pace with changing priorities. This approach would also meet draft Government proposals to require local authorities to prepare annual *Infrastructure Funding Statements*, identifying how CIL will be used to support development in their areas.

Corporate & Strategic Implications

20. Regard has been given to the Corporate Plan and the Service Business Plan in developing the proposed approach. The main outcomes in the Corporate Plan that the Transportation and Public Realm Division's portfolio will deliver against are:
 - Outcome 1 - People are Safe and Feel Safe
 - Outcome 9 - We are digitally and physically well connected and responsive
 - Outcome 10 - We inspire enterprise, excellence, creativity and collaborative
 - Outcome 11 - We have clean air, land and water and a thriving and sustainable natural environment
 - Outcome 12 - Our spaces are secure, resilient and well-maintained.
21. The proposed approach takes account of the policies of the current Local Plan 2015, the draft Local Plan 2036 and outcomes in the draft Transport Strategy.
22. One project, Puddle Dock, in Table F is identified as 'red' in the current Red, Amber, Green project status report to Project Sub Committee. This is

because TfL has removed the related Upper Thames Street crossing works from their current programme.

Financial Implications

23. It is acknowledged that the City has ambitions to deliver major transformational projects over the next 10 years. It is timely to review of the Division's project portfolio to ensure sufficient funding and resources are in place to support the Corporation's ambitions.

Legal Implications

24. Any S106 payments made and held for specific purposes will be spent on the purposes for which they are held or to address the impacts of specific developments, in accordance with the City's obligations under the relevant S106 Agreements.
25. The methodology for prioritisation will need to respect the S106 covenants placed on the City in relation to the use of this funding. As a result of the proposed review, any changes regarding how such funds are to be expended must still ensure the funding is used for projects which address the impacts of the development that generated the funds unless these agreements are specifically re-negotiated with the relevant parties.

Conclusion

26. In the context of this changing funding and corporate policy environment, officers propose to review current Transportation and Public Realm projects (including Highways Structures) and the anticipated future projects (including those contained within the draft Transport Strategy and draft Eastern City Cluster Strategy), to prioritise them, making best use of available CIL, OSPR and flexible S106 funds for Members to approve.
27. Officers propose to prepare a report for Committees which will recommend which live projects continue to completion, and which are to be stopped, using criteria based on the current and emerging policy context to inform these recommendations. Members are asked to approve the proposed approach and next steps outlined in the recommendations in this report.

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Appendices

Appendix One: Projects already fully funded and outside the scope of the proposed review

- Table A: Projects fully funded by S278 agreement
- Table B: Projects given authority to commence works at Gateway 5 and fully funded
- Table C: Highways Structures projects fully funded by the Bridge House Estate

Appendix Two: Pre-Project Proposals (at Gateway 0) to be archived in the *Project Vision* system – no spending incurred

- Table D: Pre-project proposals to be archived in the *Project Vision* system

Appendix Three: Allocation of S106 monies (specific in geography and purpose) to fully fund projects that complies with the terms of the respective agreements and mitigates the impact of the developments.

- Table E: S106 Spend Plan to fully fund existing projects

Appendix Four: Remaining projects in scope of the proposed review

- Table F: All remaining projects in scope of the proposed review