



Report – Planning and Transportation Committee

Report of Urgent Action Taken

Aldgate Highway Changes and Public Realm Improvement Project

To be presented on Thursday, 24th July 2014

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

SUMMARY

We report, for your information, action taken under urgency procedures concerning a project to achieve highway changes and public realm improvements in the Aldgate area.

Background

The Aldgate Highway Project is an ambitious project aimed at transforming the Aldgate area by the removal of the existing gyratory system and creating new vibrant public spaces. The Court of Common Council approved the scheme (Gateway 4 of the Projects procedure) in November 2013. At that time it was explained that whilst the estimated cost of construction was £14m there were a number of pricing uncertainties that would need to be resolved as the project moved to detailed design. The total estimated cost of the project was £16.3m - £17.1m.

Through the detailed design process, the costs of all elements of the project have been refined and whilst value engineering has been rigorously applied there was a significant increase in the estimated construction cost. A subsequent Gateway 4/5 report (options appraisal, detailed design and authority to start work) has been considered and approved by your Open Spaces and City Gardens and Community and Children's Services Committees and also by the Streets and Walkways and Projects Sub-Committees. Given the importance of the area these Committees were of the view that the design/construction of the Scheme should proceed on the basis of the higher specification, estimated to cost £19.5m. However the Projects

Sub-Committee at its meeting on 17 June 2014 was of the view that rather than committing to a set specification more flexibility should be built in by the Resource Allocation Sub-Committee, recommending a cap within which Officers should work as there may be elements within the scheme which could be achieved at a lower cost.

As referred to above, your Projects Sub (Policy and Resources) Committee suggested that a funding cap in the region of £18m would be appropriate and your Officers considered how best to balance the desires for the delivery of a high specification project requested by the Committees with the suggestion of a funding cap. The high specification scheme was priced at £19.5m and the costs were reviewed. It was considered that by removing a water feature and negotiating a reduced annual uplift in the term contractor rates from those currently assumed, some £650,000 could be taken out of the project. Also, based on experience over recent years, Officers believed that utility estimates were likely to be less than envisaged and it was felt reasonable to assume a further £500,000 reduction against utility costs. Together these sums would deliver a £1.15m reduction reducing the project costs to £18.35m and, under urgency procedures, the Resource Allocation Sub- Committee, with the concurrence of the Policy and Resources Committee, agreed a funding cap set at this figure. Members noted that there were of course risks associated with this approach. In particular utility costs may come in nearer to their estimated figures although, given experience, officers consider this to be an acceptable risk. It would, of course, be necessary to review the scope of the project if the anticipated utility or contract negotiation savings were not delivered.

The Project is to be funded by a combination of Transport for London (TfL) and Section 106 monies, with £10.85m of funding secured to date and other earmarked Section 106 monies which would be negotiated with the aim of having City-wide application which could then be used to prioritise Aldgate. In addition, other Section 106 money for use in the Aldgate Area has already been negotiated but payment can only be made once building has started. Given the risk of these monies not being received it has been agreed that any shortfall in the cap should be underwritten by the On-Street Parking Reserves (OSPR) on the basis of a short-term loan.

The funding proposal for the £18.35m funding cap is as follows:-

Cost of scheme

Project spend to Gateway 5	£3.3m
Construction cap	£18.35m
Five year maintenance costs	£1.26m
Total	£22.91m

This will be funded as follows:-

Received funds to date	
(from TfL and s106 monies allocated to Aldgate)	£10.85m
Additional TfL funding expected	£ 2.75m (this has been formally requested and TfL have advised

Section 106s deemed 'easier' to deliver	that it will be given favourable consideration). £5.00m (the total figure for received funds that are available to be negotiated in the report is £7.581m)
Potential s106 funds waiting to be triggered*	£ 6.40m
Total	£25.00m

*All the potential funds waiting to be triggered are prioritised for Aldgate and if not needed would be used elsewhere local to Aldgate.

In addition to the above, another £3.16m of potential Section 106 funds has been identified as awaiting building commencement before payments are triggered but these will also require negotiation to be used at Aldgate..

We therefore report, **for your information**, action taken on behalf of the Court under urgency procedures approving that work commence on the Aldgate Highway Changes and Public Realm Project on the basis of it being delivered within a funding cap for construction of £18.35m.

It was necessary for this decision to be taken under urgency procedures for the following reasons, firstly the funding being made available by TfL required a sum of £6m to be spent in the current financial year this would also apply to the £2.75m additional TfL funding currently applied for. A decision was required before the Court meeting on 24 July to provide for some lead-in time for the contractor to deploy resources and commence the ordering of materials and plant etc.

Secondly, TfL have confirmed their intention to construct a cycle super highway running in part through the City. To facilitate their works it is essential that the first phase of Aldgate is completed. This would facilitate two-way traffic in Minories which is seen as essential by TfL to minimise congestion. Should this not be delivered on time there was a real risk that TfL would require a significant delay in the Aldgate project whilst the cycle super highway works were completed. In addition to this there would be a risk of losing the TfL funding which would make the project undeliverable.

Lastly, the introduction of the Corporate Infrastructure Levy (CIL), which takes place from the 1 July 2014 in the City would have a major impact as after that date the City Corporation would not be permitted to amalgamate more than five s106 agreements on any one project. Therefore it was crucial to formally agree that the s106 agreements could be used for Aldgate prior to the 1 July.

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

DATED this 30th day of June 2014

SIGNED on behalf of the Committee.

Deputy Michael Welbank, M.B.E.
Chairman