

## Gateway 4: Detailed Options Appraisal

Committee(s):	Date(s):	Item no.
Street and Walkways	18 June 2012	
Projects Sub Committee	20 June 2012	
<b>Subject:</b> New Ludgate (30 Old Bailey) S.278		<b>Public</b>
<b>Report of:</b> Director of the Department of the Built Environment		<b>For Decision</b>

### Overview

<b>1. Context</b>	<p>This is a Gateway 4 detailed options appraisal report.</p> <p>In June 2011, Land Securities was granted planning permission to redevelop most of the block that sits within Old Bailey, Ludgate Hill and Limeburner Lane. See appendix 1 for the local area and site boundary plan.</p> <p>The developer moved quickly to demolish the existing structures in the site and liaise with the City regarding a S.278 agreement. This occurred prior to current gateway approval process taking shape.</p> <p>The developer is ready to start construction imminently, in summer 2012. An agreement under Section 278 (S.278) of the Highways Act 1980 for the works to the public highway around the site must be signed off before construction is permitted to start.</p> <p>The evaluation and design of the required changes to the public highway are being undertaken with funds provided to the City by the developer through an exchange of letters, which is acknowledged in the draft of the S.278 agreement.</p>
<b>2. Brief description of project</b>	<p>The project is to plan, design and implement a highways layout that accommodates the new buildings whilst conforming to the City's design standards. This will be achieved through a S.278 agreement.</p> <p>The primary desirables of the project are:</p> <ul style="list-style-type: none"> <li>• Fill in lower level footway on Limeburner Lane (see appendix 2 for a photograph of the split level footway).</li> <li>• Install the future proofing statutory undertakers' ducts (and communal entry</li> </ul>

	<p>chambers for telecommunications) and link to those being installed in front of the adjacent UK Power Networks site. This will minimise the likelihood of future street works and disruption.</p> <ul style="list-style-type: none"> <li>• Ensure the levels, for drainage, between the buildings, private and public spaces tie in as necessary.</li> <li>• To deliver the physical changes in the vicinity of the development in time for the occupation of the development.</li> <li>• To deliver the necessary changes to parking/loading and vehicle movement requirements.</li> <li>• Replace existing public realm to an appropriate standard.</li> </ul>
<b>3. Success Criteria</b>	<p>This project will:</p> <ol style="list-style-type: none"> <li>1. Deliver the highway works in time for the occupation of the buildings.</li> <li>2. Deliver the future proofing ducts and communal chambers.</li> <li>3. Deliver a highway that is designed and implemented to a standard that the City is happy to adopt and maintain.</li> <li>4. Deliver the above without financial impact on the City.</li> </ol>
<b>4. Notable Exclusions</b>	<p>The changes will integrate with but not include works that are on the private land.</p>
<b>5. Link to Strategic Aims</b>	<p>It will help provide modern, efficient, and high quality local services and policing within the Square Mile for workers, residents and visitors with a view to delivering sustainable outcomes. This will be achieved by enhancing the area around the new development in such a way as to ensure the development can function as it needs to including the future proofing ducts for utilities' equipment.</p>
<b>6. Within which category does the project fit</b>	<p>4. Substantially reimbursable (fully funded by the developer)</p>
<b>7. Resources Expended To Date</b>	<p>The developer has already provided the City with an initial payment of £140,000 for evaluation and design costs.</p>

	The projected spend at Committee date of 18 June 2012 is:	
		Cost (£)
	Transportation & Public Realm Staff costs (For project management and design)	26,029
	Highways Staff costs (Design advice and cost estimates)	2,500
	Open Spaces Staff costs (For trees: irrigation and maintenance)	600
	Fees (consultant design fees) Design: integration with utilities / developer )	45,200
	<b>Total</b>	<b>£74,329</b>
Remaining funds from the initial payment are to be applied towards the costs required to progress the scheme.		

### **Detailed Options Appraisal Recommendation**

<b>8. List of options described</b>	<p>The following changes to the public highway are essential requirements in order for the development to fit into the area and are included in both of the options investigated:</p> <ul style="list-style-type: none"> <li>• Fill in the lower level parts of the footway to achieve a single level footway between the carriageway and the approved building.</li> <li>• In order to maintain the integrity of the traffic and environment zone, additional physical measures, such as bollards or seats, will be necessary on the wider footway (Limeburner Lane).</li> <li>• Remove the existing highway retaining wall on Limeburner Lane where it will become redundant when the building is constructed.</li> </ul>
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	<ul style="list-style-type: none"> <li>• Integrating the future proofing statutory undertakers' ducts (and communal telecommunications chambers) with the development and connect to those being installed on the adjacent site.</li> <li>• Any necessary changes to parking and loading to reflect the needs of the development and changes to the area.</li> </ul> <p>There are also a number of desirable changes that will enable the area to function to its full potential. These have also been included in both options investigated:</p> <ul style="list-style-type: none"> <li>• Change Limeburner Lane to be a two-way street where feasible. If not, then consider the viability of contraflow cycling.</li> <li>• Increase the on-street cycle parking.</li> <li>• Improve the public realm through the possible introduction of trees and other enhancements.</li> </ul> <p>The two options investigated in this report relate to the materials used on the footways surrounding the development. They are:</p> <p>Option 1:</p> <ol style="list-style-type: none"> <li>1. All surrounding footways to be paved in York stone</li> </ol> <p>Option 2:</p> <ol style="list-style-type: none"> <li>2. Footways to be part paved in York stone (Ludgate Hill and Old Bailey) and part in asphalt (Limeburner Lane)</li> </ol> <p>Appendix 3 points out the above items.</p> <p>Street works implications:</p> <p>The work to repave Ludgate Hill will require one way vehicle working (westbound only) on Ludgate Hill in order to ensure adequate safety is achieved for the workers. This may be for up to six weeks and occurs under both options.</p>
<p><b>9. Option recommended to progress to Authority to Start Work stage</b></p>	<p>Option 1 is recommended.</p> <p>The current materials policy agreed by the Planning and Transportation, Finance and Policy &amp; Resources Committees in December 2010 assessed materials against the three elements of sustainability: economic, social/cultural and</p>

	<p>environmental.</p> <p>Option 1 is for all surrounding footways to be paved in York stone. On the basis of the materials policy, this option is conditional that all the costs (including the provision of a commuted sum for the maintenance of the York stone on Limeburner Lane) are paid for by the developer. Such a recommendation and condition maximises the benefits when assessed for economic, social/cultural and environmental sustainability for the materials used around the site.</p> <p>Whichever option Members approve will be financially equal as they are both fully funded by the developer and there will be no financial cost to the City.</p>												
<p><b>10. Resource requirements to reach Authority to Start Work and source of funding</b></p>	<p><b>Officer time needed:</b></p> <p>The total projected spend to reach Gateway 5 (including the spend to reach Gateway 4):</p> <table border="1"> <thead> <tr> <th></th><th>Cost (£)</th></tr> </thead> <tbody> <tr> <td>Transportation &amp; Public Realm Staff costs (For project management and design)</td><td>35,200</td></tr> <tr> <td>Highways Staff costs (Cost estimates and construction package approval)</td><td>4,000</td></tr> <tr> <td>Open Spaces Staff costs (Trees costs and design recommendation)</td><td>800</td></tr> <tr> <td>Fees (For consultants providing construction designs )</td><td>94,300</td></tr> <tr> <td><b>Total</b></td><td><b>£134,300</b></td></tr> </tbody> </table> <p><b>Budget requirement:</b> £134,300</p> <p><b>Source of funds:</b> The developer has already provided</p>		Cost (£)	Transportation & Public Realm Staff costs (For project management and design)	35,200	Highways Staff costs (Cost estimates and construction package approval)	4,000	Open Spaces Staff costs (Trees costs and design recommendation)	800	Fees (For consultants providing construction designs )	94,300	<b>Total</b>	<b>£134,300</b>
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	<p>the City with £140,000 towards the design and evaluation of this scheme. It is anticipated that the projected underspend of £5,700 against the £140,000 budget will be used towards the implementation of the works. The developer will also, via the S.278 agreement, be required to meet any further costs that the City incurs.</p>
<p><b>11. Plans for consultation prior to Authority to Start Work</b></p>	<p>External stakeholders that will be consulted include the City Police, the Central Criminal Court and also include the statutory requirement to consult for the change to traffic regulation orders to Limeburner Lane and in relation to any parking / loading changes.</p>
<p><b>12. Level of approval for Detailed Design (if required)</b></p>	<p>Approval will be sought from the spending and Projects Sub committee. This will be an authority to start work report (Gateway 5) so as to enable implementation in early 2013.</p>
<p><b>13. Recommended Procurement Strategy</b></p>	<p>The on going design that will take the project through to Gateway 5 will continue to be undertaken by utilising the same consultants that have worked closely with the developer and have a very good understanding of the site. This ensures a common designer, which supports the developer.</p> <p>The implementation works will be delivered in two parts:</p> <ul style="list-style-type: none"> <li>• Subsurface works to bring the lower level footway up to the carriageway level will be delivered by the developer and their contractor.</li> <li>• The surface level works will be delivered by the City's highway term contractor.</li> </ul>
<p><b>14. Tolerances</b></p>	<p>The timing of the programme is a critical element of the project. The delivery of the scheme should not delay the opening and occupation of the building.</p> <p>All costs are to be covered by the developer. The S.278 agreement proposes that any "excess" costs will be paid by the developer should they be necessary.</p>

#### **Detailed Options Appraisal**

Option	Comparison of both options
<p><b>15. Description</b></p>	<p>All surrounding footways to be paved in York stone (Option 1) or all footways (except Limeburner Lane) to be paved in York stone and Limeburner Lane paved in mastic asphalt (Option 2).</p> <p>The footways on Ludgate Hill, Old Bailey and Limeburner Lane will be paved with York stone. The developer has requested this option.</p> <p>The materials policy is based on an assessment of the three elements of sustainability (economic, social/cultural and environmental) and states that York stone should only be used in the following areas:</p> <ol style="list-style-type: none"> <li>1. Conservation areas (along conservation area borders, both sides of the street will be covered) –<i>This applies to Old Bailey.</i></li> <li>2. Key routes through the City (including Lord Mayor's Ceremonial route) – <i>this applies to Ludgate Hill.</i></li> <li>3. Specially approved areas of significant enhancement approved by Committee (such as Cheapside, Carter Lane and Riverside Walk)</li> <li>4. Surrounding key listed buildings</li> </ol> <p>Based on this, York stone would not normally be recommended for Limeburner Lane because of the maintenance costs (i.e. economic sustainability). Therefore a commuted sum for the maintenance cost is required to be provided to the City under this option.</p>
<p><b>16. Benefits and strategy for achievement</b></p>	<p>The benefits are assessed against the three elements of sustainability (economic, social / cultural and environmental). The primary assessment is against the impact on the City.</p> <p><b>Economic (neutral)</b></p> <p>Both options are economically neutral to the City because they are funded by the developer.</p> <p>If Option 1 is adopted, the City will avoid any extra maintenance costs (above the level required to maintain the materials recommended in the review of materials) if a commuted sum is provided by the developer for the extra maintenance costs. The value of this is £147,100 and is calculated based on the replacing the York stone once during the life of the</p>

Option	Comparison of both options
	<p>development, This is an approach similar to those used by other London Local Authorities.</p> <p><b>Social / cultural (Option 1: positive, Option 2: neutral)</b></p> <p>The developer considers this Option 1 a positive because retail space will benefit from a more aesthetically pleasing appearance directly outside their frontage which may:</p> <ul style="list-style-type: none"> <li>• encourage retailers to use the space</li> <li>• generate a higher rental return for the space</li> <li>• bring in a greater number of customers to such a retail area.</li> </ul> <p>In short, the higher aesthetic appearance of Option 1 creates a more welcoming and pleasant environment.</p> <p><b>Environmental (neutral)</b></p> <p>York stone (Option 1) has the same British Research Establishment environmental rating as mastic asphalt (Option 2).</p> <p>The above benefits will be achieved by ensuring that the maintenance costs, for the next 25 years, (as well as the implementation costs) of the York stone are paid for by the developer.</p>
<p><b>17.Scope and exclusions</b></p>	<p>The works are for the changes to the public highway as a consequence of the development and do not include works on the private land. However, the design of both the public and private works has been undertaken with consideration for the other. The delivery of the works will also be arranged so that there is consistency with the delivery of the work and that ultimately everything ties together seamlessly.</p> <p>The subsurface works will include the filling in of the lower level footway, and the addition of statutory undertaker's ducts through the area. This will be delivered by the developer as they construct their building. The costs of these will be paid for directly by the developer and are not included in this report.</p>
<p><b>18.Constraints and assumptions</b></p>	<p>Assumption:</p> <p>The programme is based on the developer's intention to start construction of the development in summer</p>



Option	Comparison of both options
	<p>2012. What is most important is the need to implement the works in time for the completion and occupation of the development, which is currently expected to be in 2015.</p> <p>Should the programme for occupation of the development change, it is very likely the programme for the S.278 works will also need to be adjusted.</p>
<b>19. Programme</b>	<p>The programme would have the major milestones of:</p> <ul style="list-style-type: none"> <li>• Construction of the development commences summer 2012</li> <li>• Subsurface Works occur between summer 2012 and autumn 2013</li> <li>• Gateway 5: authority to start work report Oct/Nov 2012</li> <li>• Surface Works between autumn 2013 and summer 2014</li> </ul>
<b>20. Risk implications</b>	<p>The options are rated as low risk.</p> <p>Key risks:</p> <ul style="list-style-type: none"> <li>• Time constraints mean we sign off on a cost for the S.278 before the detail design is complete. This has been mitigated by the inclusion of an "excess" into the S.278 meaning that any excess that is required to deliver the scheme will have to be funded by the developer.</li> <li>• The development sits on a site that is particularly complicated to cater for the necessary drainage requirements. It is difficult to avoid putting in many drains to prevent water falling on the public highway draining onto the private land. In addition, the developer wishes to avoid having the "unsightly" drains. The developer has stated their willingness to allow water that falls on the public highway to drain onto the private land. This will be written into an agreement.</li> <li>• Should a delay occur in the developer constructing the building, the lower level space will not be opened to the public for a longer period of time. This is tolerated as it is a space that currently provides no access to any other</li> </ul>

Option	Comparison of both options
	space and is behind the hoarding of the site.
<b>21. Legal implications</b>	<p>Section 278 of the Highways Act 1980 empowers a highway authority, if they are satisfied it will be of benefit to the public, enter into an agreement with a third party for the execution of works to the public highway at the third party's cost including maintenance.</p> <p>Section 50 of the New Roads and Street Works Act 1991 permits the City to grant licences for equipment to be placed in the highway subject to conditions. A S.50 licence will be provided to the developer for the communal chambers for telecommunications that will remove the need for any telecommunications providers to dig up the footway to provide connections into the building in the future.</p> <p>An agreement with the developer to remove the liability from the City for any water that runs off the public highway onto the private land is necessary in order to reduce the drainage requirements on the footway, which the developer wishes to minimise in order to maintain a high level of aesthetic appeal around their site.</p>
<b>22. HR implications</b>	none
<b>23. Anticipated stakeholders and consultees</b>	<p>External stakeholders:</p> <ul style="list-style-type: none"> <li>• The developer</li> <li>• City Police (for the traffic and environment zone)</li> <li>• Utilities companies (particularly BT and Thames Water)</li> <li>• Central Criminal Court</li> <li>• General public (for traffic order changes)</li> </ul> <p>Internal stakeholders:</p> <ul style="list-style-type: none"> <li>• Highways in Dept of the Built Environment (DBE)</li> <li>• Environmental Enhancement (DBE)</li> <li>• Open Spaces Department - trees</li> <li>• City surveyor - highway retaining wall structure removal</li> <li>• Road Safety Team – road safety audit</li> </ul>

Option	Comparison of both options		
24. Results of consultation carried out to date	The developer is resolute that York stone is their preferred paving material (Option 1)		
Financial Implications			
25. Estimated capital cost (£)	There will be no cost to the City.		
	The total cost of Option 1 is expected to be between £652,300 and £737,600 and Option 2 between £575,000 and £645,200. The range represents the costs excluding (lower value) and including (upper value) a 20% contingency.		
	This will be refined as the detail design for Gateway 5 is completed. It includes the £140,000 that the developer has already provided the City as part of the Evaluation and Design payment.		
	The following table provides an overview of the estimated costs.		
		Option 1 Cost (£)	Option 2 Cost (£)
	Evaluation & Design (up to construction designs and approvals to Gateway 5)	134,300	134,300
	Works (implementation)	421,300	351,100
	Fees (traffic orders)	5,300	5,300
	Staff (project management, site supervision)	91,400	84,300
Contingency (other/non-costed works and unforeseen difficulties)	84,300	70,200	
Total	£737,600	£645,200	

Option	Comparison of both options
	<p>The level of confidence in this value can be considered medium. The costing will be refined as part of the work undertaken in the detailed design (Gateway 5).</p> <p>It is important to note that the developer has stated that they are ready to commence the construction of the development in summer 2012. A S.278 agreement, including an estimate of the value of works, is required to be signed before construction can be permitted. The S.278 agreement will state the upper values (£737,600 for Option 1 and £645,200 for Option 2) and will also contain provision should any excess be necessary.</p> <p>The funds will be received by the City in advance of the works.</p> <p>The developer is still required to pay the full costs of the scheme, even if higher than estimated. Likewise, the City will return any unspent funds to the developer.</p>
<b>26. Source of capital funding</b>	The developer
<b>27. Anticipated phasing of capital expenditure</b>	<p>The implementation for the surface level works is likely to occur in the 2013/14 and 2014/15 financial years. The anticipated spend by financial year is (Option 1 figures used):</p> <ul style="list-style-type: none"> <li>• 2013/14: purchasing materials and implementation - £500,000</li> <li>• 2014/15: implementation and closeout - £237,000</li> </ul> <p>This will be refined as the project progresses.</p>
<b>28. Estimated capital value/return (£)</b>	N/A
<b>29. Fund/budget to be credited with capital return</b>	N/A
<b>30. Estimated revenue implications (£)</b>	To establish a suitable commuted sum for maintenance we have worked on the assumption that the York stone will need to be replaced during the life of the development. This method has been used by other central London local authorities.

<b>Option</b>	<b>Comparison of both options</b>
	<p>Therefore, the cost to replace the York stone is estimated at £147,100 and will be incorporated into the S.278 agreement should Option 1 be approved. This is in addition to the cost to implement the option as stated in paragraph 25.</p> <p>Two small sections of highway retaining wall will be removed because the new development will fill in the lower level footway and thus remove the need for the retaining wall. City Surveyor has broadly estimated the cost of maintaining the retaining wall at £45,000 over 50 years. Funds to maintain this wall will now no longer have to be found by the City.</p> <p>Both options include a provision of £46,600 to maintain the trees.</p>
<b>31. Source of revenue funding</b>	The developer
<b>32. Fund/budget to be credited with income/savings</b>	N/A
<b>33. Anticipated life</b>	25+ years
<b>34. Investment Appraisal</b>	N/A
<b>35. Benchmarks or comparative data</b>	The surface level works will be carried out by our new term contractor (Riney) at recently tendered rates.
<b>36. Proposed procurement approach</b>	<p>The highways term contractor will be used to deliver the surface level highway works.</p> <p>The subsurface highway works will be delivered by the developer using their preferred contractor who must first be approved by the City. This allows for efficient and consistent delivery of the subsurface works. It is sensible for one contractor to be responsible for the delivery of the subsurface works on the private and public realm.</p>
<b>37. Affordability</b>	The project will be fully funded by the developer.
<b><u>Recommendation</u></b>	Recommended
<b>38. Reasons</b>	Option 1 provides the most benefits when assessed against economic, social/cultural and environmental sustainability.

Option	Comparison of both options
	<p>Option 1 provides greater social/cultural benefits.</p> <p>Environmental benefits are equal to those in Option 2.</p> <p>The economic assessment is neutral on both options as the scheme is fully funded by the developer.</p> <p>Option 1 is very much the preference of the developer who will make the necessary £147,100 contribution to maintenance costs which is estimated to cover the additional revenue costs for the next 25 years.</p>
<p><b>39. Next Steps</b></p>	<p>Should Members approve this scheme:</p> <ul style="list-style-type: none"> <li>• The costs for the approved option will be inserted into the S.278 agreement and it will be signed.</li> <li>• Construction of the development will commence.</li> <li>• The detail of the design will be progressed and feed into a Gateway 5 report.</li> <li>• Proposed changes to traffic orders will be advertised for public consultation to feed into the Gateway 5 report.</li> </ul>