



Town Clerk

City of London
PO Box 270, Guildhall
London EC2P 2EJ
Facsimile 020-7796 2621
Telex 265608 London G

Exchange 020-7606 3030

Extension
3685

Memorandum

To

→ Roger Chadwick (Resource Allocation) ←
→ Deputy Doug Barrow (Resource Allocation) ←
Jeremy Mayhew (Policy)
Deputy Catherine McGuinness (Policy)
The Rt Hon. The Lord Mayor (Court)
Alderman Sir David Wootton (Court)
Deputy John Bennett (Court)
Deputy Michael Welbank (Court)

Our Reference
AR/PAR/GEN

Date
26 June 2014

From

Angela Roach

URGENT DECISION - STANDING ORDER NO. 41(a)

RESOURCES ALLOCATION SUB-COMMITTEE POLICY AND RESOURCES COMMITTEE

URGENT DECISION - STANDING ORDER NO. 19

COURT OF COMMON COUNCIL

SUBJECT: Aldgate Highway Changes and Public Realm Improvement Project

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 is 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 the Open Spaces 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 are elements within the scheme which could be achieved at a lower cost.

The Project is to be funded by a combination of TfL and section 106 monies. The Director of the Built Environment advises that the City has £10.85m of funding secured to date with other earmarked s106 monies in our receipt which will be negotiated with the aim of having City-wide application which could then be used to prioritise Aldgate. In addition other s106 money for use in the Aldgate Area has already been negotiated but payment can only be made once building starts.,

Given the risk of these monies not being received it has been suggested 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 Projects Sub-Committee has suggested that a funding cap in the region of £18m might be appropriate. The Director of the Built Environment has since considered how best to balance the desires for the delivery of a high specification project requested by the Open Spaces and Community and Children's Services Committees and the Streets and Walkways Sub-Committee with the suggestion of a funding cap. The high specification scheme is priced at £19.5m and officers have reviewed costs and consider that by removing the Rill water feature, negotiating a reduced annual uplift in the term contractor rates from those currently assumed some £650,000 can be taken out of the project. Based on experience over recent years officers also believe that utility estimates are likely to be excessive and it is 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 the Director of the Built Environment and the Chamberlain are proposing a funding cap set at this figure. There are of course risks associated with this approach. In particular utility costs may come in nearer their estimated figures although given experience officers consider this to be an acceptable risk. It will, of course, be necessary to review the scope of the project if the anticipated utility or contract negotiation savings are not delivered.

Assuming the £18.35m cap is agreed the cost of the project and funding proposal 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 TfL have advised that it will be given favourable consideration. s106s deemed 'easier' to deliver are available to be negotiated in the report is £7.581m)	£ 2.75m (this has been formally requested and £5.00m (the total figure for received funds that
Potential s106 funds waiting to be triggered*	£ 6.40m
Total	£25.00m

*Please note 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, the committee report identified another £3.16m of potential s106 funds awaiting building commencement before payments are triggered but these also require negotiation to use at Aldgate. Whilst officers suspect these monies could be made available for the Aldgate project they have erred on the side of caution and not included these in the assumptions above.

ACTION PROPOSED:- it is recommended that:-

1. the Resource Allocation Sub-Committee approve a funding cap of £18.35m for the construction of the Aldgate Highway Changes and Public Realm Improvement Project, with any shortfall in the cap being underwritten by the OSPR on the basis of a short-term loan as recommended by the Director of the Built Environment and the Chamberlain for the construction. This is subject to the concurrence of the Policy and Resources Committee; and
2. authority be given by the Court of Common Council for work to 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 i.e. subject to the approval of (1) above.

REASON FOR URGENCY: Urgent action is being sort for 3 reasons:-

Firstly the funding being made available by TfL requires a sum of £6m to be spent in the current financial year this will also apply to the £2.75m additional TfL funding currently applied for. To achieve this level of spend the Director requires authority to commence works urgently and certainly before the end of July. If this were to wait for the Court meeting on 24 July, there would be no provision 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 will facilitate two-way traffic in Minories which is seen as essential by TfL to minimise congestion. Should this not be delivered on time there is a real risk that TfL would require a significant delay in the Aldgate project whilst the cycle super highway works are completed. In addition to this there is 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 will not be permitted to amalgamate more than five s106 agreements on any one project. Therefore it is crucial to formally agree that those s106 agreements listed in the report (attached) can be used for Aldgate prior to the 1 July.

PAPERS ATTACHED: Report of the Director of the Built Environment.

Please indicate whether in your view I should approve or not on the enclosed copy, etc, for which a reply paid envelope is enclosed.