

Committees: Corporate Projects Board <i>[for information]</i> Streets and Walkways Sub <i>[for decision]</i> Projects Sub <i>[for decision]</i>	Dates: 09 February 2021 18 February 2021 23 February 2021
Subject: 100 Minorities Phase One: S278 works Unique Project Identifier: <i>PV Project ID: 11695</i>	Gateway 5 Regular Issue Report
Report of: Director of the Built Environment Report Author: Leila Ben-Hassel	For Decision
<h1>PUBLIC</h1>	

1. Status update	<p>Project Description: These highway works are necessary to enable the successful integration of the hotel development into the highway and include repaving footways and carriageways around the development, together with a raised carriageway in Hammett Street and part of Vine Street.</p> <p>RAG Status: Amber (Green at last report to Committee)</p> <p>Risk Status: Medium (Medium at last report to committee)</p> <p>Total Estimated Cost of Project (excluding risk): £510,236</p> <p>Change in Total Estimated Cost of Project (excluding risk): Increase of £57,007 since last report to Committee (Total Estimated project cost at Gateway 5: £453,229)</p> <p>Spend to Date: £34,541</p> <p>Costed Risk Provision Utilised: None</p> <p>Slippage: Following Gateway 5 approved in late 2017, delays incurred due to change in ownership, design changes associated with development levels' not meeting the City Highway and in reaching agreement with the owner.</p>
2. Requested decisions	<p>Requested Decisions:</p> <ol style="list-style-type: none"> Note the revised total estimated cost of the project at £510,236 (excluding risk), subject to successful completion of S278 agreement and receipt of monies.

	<p>2. That a Costed Risk Provision of £68,000 is approved (to be drawn down via delegation to Chief Officer), subject to successful completion of S278 agreement and receipt of monies.</p>																												
<p>3. Budget</p>	<p>Spend to Date:</p> <table border="1" data-bbox="475 488 1310 1003"> <thead> <tr> <th colspan="4">Table 1: Expenditure to date - 100 Minorities Area Enhancements S278 - 16800350</th> </tr> <tr> <th>Description</th> <th>Approved Budget (£)</th> <th>Expenditure (£)</th> <th>Balance (£)</th> </tr> </thead> <tbody> <tr> <td>Env Servs Staff Costs</td> <td>10,000</td> <td>10,000</td> <td>-</td> </tr> <tr> <td>P&T Staff Costs</td> <td>10,000</td> <td>10,000</td> <td>-</td> </tr> <tr> <td>Legal Staff Costs</td> <td>1,780</td> <td>1,779</td> <td>1</td> </tr> <tr> <td>P&T Fees</td> <td>13,220</td> <td>12,762</td> <td>458</td> </tr> <tr> <td>TOTAL</td> <td>35,000</td> <td>34,541</td> <td>459</td> </tr> </tbody> </table> <p>The total estimated cost of the project is £510,236 which is an increase of £57,007 from previous report (excluding costed risk element) due to change in hotel ownership, delays in reaching agreement with the owner and adjustments to design/levels, details of which are described in the next section. Additional officer time spent resolving these issues has been accounted for in the revised budget. A breakdown of the revised budget and variances is included in Appendix 3.</p> <p>The project is entirely externally funded from a S278 agreement with the owner. Any unspent funds will be returned to the owner.</p> <p>Costed Risk Provision requested for this Gateway: £68,000 (as detailed in the Risk Register – Appendix 2), which would be funded by the owner as per the S278 agreement excess payment clause.</p>	Table 1: Expenditure to date - 100 Minorities Area Enhancements S278 - 16800350				Description	Approved Budget (£)	Expenditure (£)	Balance (£)	Env Servs Staff Costs	10,000	10,000	-	P&T Staff Costs	10,000	10,000	-	Legal Staff Costs	1,780	1,779	1	P&T Fees	13,220	12,762	458	TOTAL	35,000	34,541	459
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<p>4. Issue description</p>	<p>The Gateway 5 report for this project was approved in late 2017. Since this time, delays have been experienced in finalising the S278 agreement with the owner. Key Issues are as follows:</p> <ul style="list-style-type: none"> • The hotel has changed ownership – this process took over a year to be resolved and the project was put on hold during that time; 																												

	<ul style="list-style-type: none"> • The hotel was built to the wrong highway levels on the Tower Gardens' side of the development. Officers only became aware of this when the project was restarted and the hoarding was removed. This required resolution before the highway design could be finalised; • The owner requested that the scope and cost of the works be reviewed; • It has been determined that a risk associated with construction of the works above the London underground tunnel would require a costed risk allowance. • Several of the planning conditions attached to the development have not been discharged. Despite this, the hotel has been partially operational since 2019. • The City has undertaken temporary resurfacing works in Hammett Street at the cost of the previous owner, to allow for the street to be reopened. The drawings for the S278 works therefore needed reviewing and updating to reflect the levels post reinstatement.
<p>5. Proposed way forward</p>	<p>Officers have worked closely with the new hotel owner and their agents in order to resolve the issues listed above:</p> <p>Site levels Several options were worked through to resolve the levels discrepancies, including adjustments to the highway. However, due to costs associated with underground utilities and structures it has been agreed that the owner will instead adjust their threshold levels within the site boundary in order to achieve step-free access to the retail units on the south side of the development and resolve the levels discrepancy at the Vine Street threshold. As a result, only minor adjustments to the highway levels are required.</p> <p>Scope and cost Officers have reviewed the scope and cost of the highway works at the request of the owner. The outcome of this review is that there is a minor adjustment to the boundary of the paving works on Vine Street/Crescent and additional new paving on the south side (Tower Gardens side) of the development that have been incorporated into the S278 works. The owner appointed their own quantity surveyor to review the project costs and this exercise has now been completed and the costs agreed. The revised cost estimate is £510,236 which is an increase of £57,007 on the 2017 estimate (excluding costed risk). These costs are inclusive of the additional officer time required to review the design and estimate as well as additional costs to cover a commuted sum for the long-term maintenance of the materials.</p>

	<p>Risk of working above London Underground tunnel As part of the cost review, it was identified that a costed risk provision would be an appropriate way to manage the identified cost risk of working above the London Underground tunnel at Vine Street/Crescent where TfL may require additional hand digging which has a cost implication. This will be specified in the S278 agreement and the funds will only be invoiced from the owner if the risk materialises. A TfL advisor will be appointed (new fee cost included in the revised budget) to provide advice on the approach to construction and allow for TfL/LuL overseeing the works in the most sensitive areas.</p> <p>Outstanding planning conditions These relate to the highway levels and other details to be submitted. The new owner has undertaken to discharge these conditions and this is being managed by planning officers.</p> <p>S278 works (Phase one) programme It is anticipated that the S278 will be finalised in February 2021. Works will be programmed to commence in spring 2021 for an indicative 3 months' programme.</p> <p>S106 enhancement works (Phase two) These works (to Crescent) have passed Gateway 4 but are on-hold as a result of the delays to the S278 works. It is proposed to restart design work as soon as the S278 is signed.</p>
<p>6. Project risks</p>	<p>This phase of the project (S278 Highways works) is considered medium risk. Risks include:</p> <ol style="list-style-type: none"> 1. <i>New owner does not agree S278</i> The new owner is currently in breach of planning conditions as they started occupying parts of the building without the S278 agreement being completed. Officers have negotiated design details to address levels issues and revised project costs liaising closely with the new owner. Officers are confident that the owner will sign the agreement and therefore this is considered to be a low risk. 2. <i>The London underground tube line runs directly under part of the project site</i> During the design development, London Underground advised the City that the construction exclusion zone requiring hand tools only, may apply to the entire construction site. This would impact the project costs in terms of higher supervision cost (staff time) and construction costs. It would also impact the programme. For instance, weekend working would increase to minimise impact. The budget sought in this report accounts for a fee to cover cost of a TfL advisor. Officers will liaise closely with LUL and

share with them construction methods to seek a reduction of the exclusion zone. In the eventuality that LUL requires the City to use hand tools only for the whole construction area, the City's Highways officers have estimated the additional costs that a hand-tool only approach for the whole site would require, based on the City's Highways Term-Contractor's schedule of rates. This additional funding if necessary, would be accessed through the attached Costed Risk Provision in Appendix 2.

3. Works costs exceed budget due to underground utilities
Investigations and surveys have been undertaken and a lot of information on underground structures (gathered during construction from the owner's project team) has been shared with City officers. These have informed the design development and cost estimation. The project manager will monitor costs closely in liaison with the construction manager to ensure the project stays within budget.

4. Cost escalation due to Brexit (possible issue with sourcing of materials and cost increase of materials)
The City's term contractor has managed this risk closely by ensuring enough stock of materials for projects this year. This risk is expected to be minor.

5. Archaeology impact on programme
The site area is identified in the Local Plan as an area of archaeological significance. A lot of excavation has been undertaken during the construction of the hotel and archaeological finds have been appropriately documented. Officers therefore anticipate the risk of archaeological finds to be low. Only shallow drainage is anticipated for most of highways works.

Any additional costs will be met by the owner and would be requested through the agreed costed risk provision to cover the cost of an archaeological watching brief.

Appendices

Appendix 1	Project Coversheet
Appendix 2	Costed Risk Register
Appendix 3	Revised Budget and variances
Appendix 4	S278 plan
Appendix 5	TfL Plan

Contact

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