

**Forward plan reference number:** FP/AB/665

<b>Report title:</b> Hastings and Bexhill Movement and Access Package LGF project change request	
<b>Report to:</b> Accountability Board	
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<b>Meeting date:</b> 22 September 2023	<b>For:</b> Decision
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<b>SELEP Partner Authority affected:</b> East Sussex County Council	

## 1. Purpose of report

- 1.1. The purpose of this report is for the Accountability Board (the Board) to receive an update on the Hastings and Bexhill Movement and Access Package Local Growth Fund (LGF) project (the Project) and to consider a request to change the scope of the Project. In addition, the Board are asked to consider the updated completion date for the Project set out within the report.

## 2. Recommendations

- 2.1. The Board is asked to:
  - 2.1.1. **Agree** that the proposed change of scope for the Hastings and Bexhill Movement and Access Package can be implemented. Noting that the Independent Technical Evaluator has assessed the Project as offering High value for money with Medium certainty of achieving this.
  - 2.1.2. **Agree** the updated completion date of March 2026 (delayed from Summer 2025) for the Hastings and Bexhill Movement and Access Package.
  - 2.1.3. **Agree** that a review will be undertaken to determine if there is a compelling case for East Sussex County Council to retain LGF of up to £630,488 against the Project to inform a decision at the November 2023 Board meeting.

## 3. Background

- 3.1. The Project is an integrated package of cycling, walking and bus infrastructure, traffic management and public realm improvements aimed at supporting economic growth and planned growth across Hastings and Bexhill. The Project was awarded a total of £9.0m LGF funding by the Board in February 2018.
- 3.2. The Project seeks to increase the extent of the cycle network supporting greater connectivity between key destinations and the growing appetite for cycling for everyday journeys; provide wayfinding measures along with enhanced and additional pedestrian crossing facilities to support and encourage walkers; and deliver improvements to junction capacity to reduce local congestion.

- 3.3. Measures to enhance the attractiveness of the two town's public realm will be delivered, which will encourage inward investment, alongside supporting and encouraging more people to walk, by creating safer access and permeability. This will be integrated alongside delivering high quality public transport infrastructure and information on key corridors of movement, supporting greater accessibility and journey comfort.
- 3.4. The Project will kick start a much wider programme of change in movement and access across the two towns and will set the precedence for future transport infrastructure improvements. This is crucial as both Hastings and Bexhill move towards embracing greater sustainable development and the growing opportunities to maximise the use of technology and communication to enable 'smart mobility.'
- 3.5. In February 2018, the Board were advised that the Project would deliver the following outputs:
  - 3.5.1. New and improved cycling and walking infrastructure, including cycle routes, pedestrian crossings and cycle parking at rail stations across both towns.
  - 3.5.2. Improved public transport infrastructure, including Bus Stop Clearways/High Access Kerbs (bus stop poles)/Bus Shelters and the provision of Real Time Passenger Information on key corridors of movement.
  - 3.5.3. Improvements to traffic management at key junctions on the road network within Bexhill and Hastings; and
  - 3.5.4. Improvement to the public realm in Bexhill – London Road and Hastings Town Centre.
- 3.6. The overarching objective of the Project is to implement the planned transport measures in Hastings and Bexhill, in order to release the opportunity for, and contribute to, local economic growth by enabling efficient connections to neighbouring settlements. The Project will also support sustainable access to key local services including employment, education, health services, shopping and recreational facilities in these areas, alongside supporting the tourist economy.
- 3.7. The Project will support a reduction in car journeys in the two towns by providing smarter and sustainable choices (e.g. through improved walking and cycling infrastructure) and improving technology to encourage greater use of sustainable transport (e.g. through electronic signage, to reduce vehicle dwell times and greater access to information, increasing bus patronage through the provision of Real Time Passenger Information (RTPI), and the use of data to inform smart ticketing).

#### **4. Delivery to date**

- 4.1. To date, £5.302m of the £9.0m LGF allocation to the Project has been spent in accordance with the agreed Business Case.
- 4.2. Delivery of the Project commenced in 2018/19 and East Sussex County Council have confirmed that a number of elements of the wider project have now been completed, including:

Walking and Cycling infrastructure

- 4.2.1. Collington Avenue, Bexhill pedestrian crossing
- 4.2.2. Pedestrian crossing near The Ridge, Hastings (in the vicinity of the cemetery)
- 4.2.3. Pedestrian crossing near Sandown Primary School, Hastings

Public Transport Infrastructure

- 4.2.4. Real time passenger information at bus stops across Hastings and Bexhill
- 4.2.5. Bus stop accessibility improvements – bus stop clearways, high access kerbs and bus shelters
- 4.2.6. The Ridge, Hastings bus stop improvements

Traffic Management improvements

- 4.2.7. Pedestrian crossing on the Hastings Battle Road (near Old Harrow Road), Hastings
- 4.2.8. Introduction of traffic signals at the junction of Cooden Drive and Westcourt Drive, Bexhill

Public Realm improvements

- 4.2.9. Wayfinding signs in Hastings
  - 4.2.10. London Road corridor improvement scheme (Sackville Road and Beeching Road junction improvements), Bexhill
- 4.3. In addition, East Sussex County Council have indicated that a number of other potential interventions (including a cycle route through Alexandra Park, Hastings) have been investigated and discounted for a variety of reasons, including objections from key stakeholders and deliverability concerns. Further details on these schemes and the rationale for not delivering them is set out in the [revised project Business Case](#).

**5. Proposed change to Project scope**

- 5.1. In April 2023, the Board were advised that one planned element of the Project was a cycle route through Alexandra Park in Hastings. Alexandra Park is a grade 2 listed park as designated by Historic England and it was noted that the introduction of the cycle route had received some opposition. The proposed cycle route was ultimately considered by Hastings Borough Council in December 2022 and the decision was taken to refuse the introduction of the cycle route. As a result of this decision, East Sussex County Council undertook a review to establish how the LGF funding originally allocated to the Alexandra Park cycle route should be used.
- 5.2. In addition, at the June 2023 meeting, the Board were advised that East Sussex County Council had reported cost increases across the Project, with recent cost estimates significantly exceeding the allocated budget. East Sussex County Council have indicated

that these cost increases stem from the impact on construction costs of the war in Ukraine. It was also noted that these cost increases have become more of a factor due to the delays in progressing the Project caused by the COVID-19 pandemic. As a result of these cost increases, the ongoing review of the Project also considered which of the remaining elements of the Project should be prioritised for delivery through the LGF project.

- 5.3. The review of the Project has now been completed and East Sussex County Council have submitted a revised Business Case and a Change Request covering the proposed changes to the project scope, budget, programme and benefits.
- 5.4. Following the award of LGF funding to the Project, all proposed interventions were subject to further stakeholder consultation and review. This exercise, in conjunction with consideration of the original economic appraisal, resulted in the interventions being divided into three categories:
  - 5.4.1. Discounted schemes (13 interventions) – schemes which did not receive stakeholder support, faced deliverability challenges or did not offer Value for Money were removed from the Project (as referenced at Section 4.3 of this report)
  - 5.4.2. Phase 1 schemes (11 interventions) – schemes which were constructed or scheduled for construction. These schemes were constructed between 2018/19 and 2022/23, with one scheme due to be constructed in 2023/24
  - 5.4.3. Phase 2 schemes (5 interventions) – schemes which were deferred and which were subject to reassessment to consider any demand, design and cost changes since the original 2017 appraisal.
- 5.5. The following five interventions were classified as Phase 2 schemes:
  - 5.5.1. Hastings Western Pedestrian and Cycle Route (Walking and Cycling infrastructure).
  - 5.5.2. East and North Bexhill Cycle Routes (Walking and Cycling Infrastructure). During the initial reassessment process, this cycle route was split into two shorter cycle routes – Bexhill Cycle Route A and Bexhill Cycle Route B.
  - 5.5.3. Gateway from town centre and seafront, Hastings (Public Realm improvements). During the initial reassessment process, this intervention was reduced in scope to cover only the Albert Road/Denmark Place junction.
  - 5.5.4. Gateway Transport Hub to town centre, Hastings (Public Realm improvements). During the initial reassessment process, this intervention was reduced in scope to cover only the Station Approach/Cornwallis Terrace/Devonshire Road/Havelock Road junction.
  - 5.5.5. London Road Corridor Improvement Scheme (Buckhurst Place), Bexhill (Public Realm improvements).
- 5.6. A further review of the Phase 2 schemes has recently been undertaken, with each intervention being subject to an updated economic appraisal and stakeholder consultation. The outcome of this review, coupled with consideration of identified budgetary constraints,

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was used to inform the Change Request which has been submitted for Board consideration at this meeting.

- 5.7. The Change Request proposes that the remaining funding is used to deliver the following three priority schemes:
  - 5.7.1. Gateway from town centre and seafront, Hastings (Public Realm improvements) - Albert Road/Denmark Place junction.
  - 5.7.2. Gateway Transport Hub to town centre, Hastings (Public Realm improvements) - Station Approach/Cornwallis Terrace/Devonshire Road/Havelock Road junction.
  - 5.7.3. East and North Bexhill Cycle Routes (Walking and Cycling Infrastructure) - Bexhill Cycle Route A.
- 5.8. These three interventions have been identified as being affordable, deliverable and able to offer High value for money.
- 5.9. Delivery of the three prioritised interventions, in conjunction with the Phase 1 schemes which have already been delivered, will ensure that improvements are still being delivered across all four areas of the Project - Walking and Cycling infrastructure, Public Transport Infrastructure, Traffic Management improvements and Public Realm improvements. As a consequence, it is expected that the primary areas of benefit will remain as outlined in the original Business Case, and will include:
  - 5.9.1. Increased levels of walking and cycling
  - 5.9.2. Increased levels of bus patronage
  - 5.9.3. Improved bus punctuality
  - 5.9.4. Improvements to road safety and
  - 5.9.5. Improvements to congestion at key junctions
- 5.10. East Sussex County Council do note that, as fewer interventions are now being delivered, the length of newly resurfaced roads and new cycle ways will be reduced compared to that set out in the original Business Case.
- 5.11. In addition to the transport benefits outlined above, the revised Business Case indicates that delivery of the Project to date has indirectly supported the delivery of the jobs, homes and proposed employment floor space set out in the Rother and Hastings Local Plans. It is reported that to date the Project has helped to realise 588 jobs (538 in Bexhill and 50 in Hastings), alongside 17,665sqm of employment floor space (16,164sqm in Bexhill and 1,501sqm in Hastings) and 1,442 homes (863 in Bexhill and 579 in Hastings). These figures are significantly reduced from the forecasts set out in the original Business Case (1,140 jobs, 34,240sqm of employment floor space and 2,079 homes). Whilst it is expected that delivery of the remaining three interventions will continue to indirectly support the delivery of these outcomes, the reduced figures are perhaps to be expected given the economic challenges faced by the entire county since the original Business Case was prepared.

- 5.12. The revised Business Case indicates that the total forecast project cost is £9.992m, which includes an allowance for risk and contingency for the three prioritised interventions. The Business Case also indicates that consideration has been given to sunk costs and how these should be treated. This is particularly the case for the Alexandra Park cycle route scheme, which is no longer being taken forward in any form, and East Sussex County Council have therefore indicated that all costs related to this intervention have been excluded from the Business Case. In addition, all LGF spend against the Alexandra Park cycle route intervention has been returned to the Project by East Sussex County Council for investment in alternative schemes.
- 5.13. East Sussex County Council has indicated that spend totalling £630,488 has been applied to elements of the Project which will no longer be coming forward to delivery. As the Board are aware, the grant conditions state that the LGF funding can only be used to fund capital expenditure and therefore there was a requirement for East Sussex County Council to consider whether this spend could continue to be capitalised or if it now fell outside the LGF grant conditions.
- 5.14. Consequently, a review of this expenditure has been undertaken by East Sussex County Council which concluded that as the work undertaken relates to improvements to the existing asset network, the expenditure can continue to be capitalised under Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.
- 5.15. It is important that Essex County Council (as Accountable Body for SELEP) is also satisfied that this expenditure can continue to be capitalised in accordance with the grant conditions and therefore there is a need for a review of the expenditure to be undertaken by the Accountable Body in advance of the next Board meeting. This review will establish whether the spend can be retained against the Project and will confirm if there is compelling justification for this approach to be taken. The outcome of this review will be presented at the November 2023 Board meeting. The Board are asked to agree the adoption of this approach at this meeting. Should it not be possible for East Sussex County Council to demonstrate to the satisfaction of the Accountable Body that there is compelling justification for this spend to be retained against the Project, the Board may be asked to consider (at the next meeting) whether the funding (£630,488) should be removed from the Project.
- 5.16. The revised funding package for the Project is set out in Table 1 below.

*Table 1: Revised funding package*

Funding Source	Amount (£m)
LGF	9.000
East Sussex County Council	0.051
Development contributions held	0.131
Development contributions available	0.541
East Sussex County Council Local Transport Capital Programme	0.269
<b>Total</b>	<b>9.992</b>

- 5.17. It is noted in the Business Case that, at the current time, development contributions totalling only £0.131m are held/have been invested in the Project by East Sussex County Council. It

is intended that the remaining £0.541m required will be sought from available development contributions during 2023/24, subject to the Board approving the proposed change to the Project at this meeting. The Business Case identifies the potentially available development contributions which will be sought to support delivery of the remaining interventions; however, further work is required to formally secure this funding. Whilst this does present a risk to the funding package, East Sussex County Council have indicated that any cost overruns will be met from their Local Transport Capital Programme which does provide some assurance regarding project delivery.

- 5.18. As referenced at Section 4.1 of this report, £5.302m of the £9m LGF allocation has been spent to date with East Sussex County Council forecasting spend of the remaining £3.698m between 2023/24 and 2025/26 as set out in Table 2 below.

Table 2: LGF spend profile (£m)

Spend to date	2023/24	2024/25	2025/26	Total
5.524	0.506	2.478	0.492	9.000

- 5.19. The Board have previously agreed an extension to the completion date for the Project to Summer 2025. However, the Change Request submitted by East Sussex County Council indicates that all work on the Project was placed on hold whilst the review detailed in this report was undertaken and whilst awaiting the outcome of the Board’s consideration of the revised Business Case. Consequently, East Sussex County Council have requested a further extension to the completion date to March 2026 as part of their Change Request. This request is supported by the indicative delivery programmes provided for each of the remaining three interventions, as set out in Table 3 below.

Table 3: Indicative delivery programme

Intervention	Detailed design/ design review	Construction
Gateway from town centre and seafront, Hastings (Public Realm improvements) - Albert Road/Denmark Place junction.	January to March 2024	April to December 2024
Gateway Transport Hub to town centre, Hastings (Public Realm improvements). During the initial reassessment process, this intervention was reduced in scope to cover only the Station Approach/Cornwallis Terrace/Devonshire Road/Havelock Road junction.	January to March 2024	April 2024 to March 2025
East and North Bexhill Cycle Routes (Walking and Cycling Infrastructure) - Bexhill Cycle Route A.	January to December 2024	January 2025 to March 2026

- 5.20. The extension to the Project completion date is an intrinsic element of the Change Request and therefore, if the Board are not minded to approve both the change in project scope and the extension to the Project completion date, the ongoing status of the Project within the LGF programme will need to be considered at the November 2023 Board meeting.

## 6. Risks

- 6.1. As part of the revised Business Case, East Sussex County Council have provided an updated risk register, including identified mitigation measures. The four most significant risks (based on the scoring applied in the risk register) are outlined below.
- 6.2. Detailed design costs far exceed the current estimated costs – there is a risk that, should detailed design costs exceed the current estimated costs, the scale of the Project will need to be further reduced. East Sussex County Council have indicated that the estimated costs used to inform the Business Case are as accurate as possible given that the remaining elements of the Project are currently at feasibility stage and have stated that the costs are based on similar schemes which have been delivered by East Sussex Highways.
- 6.3. East Sussex County Council have also indicated that the Project has been designed with flexibility in mind to allow changes to scale depending upon affordability and that key stakeholders have been informed of this risk.
- 6.4. It should be noted that, should this risk materialise, there will be a requirement for a further review of the Project to be undertaken. Based on the indicative programmes provided for the detailed design of the remaining interventions (Table 3), it is highly likely that this risk will not be realised prior to the closure of SELEP in March 2024. Therefore, it is important that an alternative mechanism for overseeing delivery and the effective management of any subsequent changes to the Project is established at the earliest opportunity.
- 6.5. Lack of resources available to design and deliver the programme – there is a risk that delivery of the Project will be delayed if there are insufficient resources available to design and construct the remaining interventions. To mitigate this risk, East Sussex County Council have involved the contractor in the scheme development process with a view to ensuring that an appropriate level of skilled staff are available at all stages of scheme development and construction.
- 6.6. Identified environmental impacts – there is a risk that the identification of any environmental impacts will delay the delivery of the remaining interventions. East Sussex County Council have indicated that identification of any potential environmental impacts will be an integral part of the design process, thereby ensuring that any potential challenges are identified at the earliest opportunity reducing the risk of delays to delivery of the remaining improvements.
- 6.7. Planning permission may be required – there is a risk that the delivery programme will be adversely impacted should planning consent be required for any of the remaining interventions. East Sussex County Council have indicated that consideration of planning requirements will form an integral part of the design process, ensuring that any requirements are identified at an early stage reducing the risk of delays to the construction programme.
- 6.8. East Sussex County Council officers will actively monitor the identified risks and will update the risk register as appropriate as the development and delivery of the remaining interventions progresses.



## **7. Outcome of Independent Technical Evaluator review**

- 7.1. The Independent Technical Evaluator (ITE) has undertaken a review of the revised Business Case submitted by East Sussex County Council and the outcome of their review is set out below.
- 7.2. The ITE concluded that the Strategic Case for the Project exhibits strong alignment with SELEP's strategic priorities. The Project aims to encourage modal shift to active modes and public transport, unlock economic growth and new development in the Hastings and Bexhill area (supporting the respective Local Plans), improve health and wellbeing by encouraging physical activity and connecting key services, integrate with related key infrastructure projects such as those being delivered by the Hastings Town Deal, support the growing cultural sector in the area and reduce traffic congestion.
- 7.3. The ITE considers it likely that the need for intervention has become stronger since 2017 (when the original Business Case was prepared and reviewed) due to the increasing urgency of decarbonisation, increased investment in the area and the potential for future growth and investment (e.g. the possibility of bringing HS1 rail services to Hastings and/or Bexhill).
- 7.4. The Business Case demonstrates that the overall package (and its constituent schemes) has undergone economic appraisal and an overall Benefit Cost Ratio (BCR) of 2.89:1 was calculated, which represents High value for money. According to the Business Case, the calculated BCR of 2.89:1 represents a low-end estimate that assumes only 50% of the expected benefits from the implementation of RTP1 on public transport are realised.
- 7.5. The ITE has noted that the benefits of the Project largely emanate from improvements in journey quality/ambiance and health benefits arising from increased physical activity and has concluded that the appraisal was carried out appropriately and in a robust manner with relatively minor points of clarification and correction outstanding. In addition to the economic appraisal, a qualitative justification for the Project was provided within the Business Case.
- 7.6. The ITE has indicated that moderate uncertainties are still present in the Business Case, including there being limited information on the original generation of alternative options for the Project, a possible need to consider additional interdependent schemes (i.e. Hastings Public Realm and Green Connections), potentially outdated baseline cycle demand and a lack of clearly defined inflation assumptions. There are also intrinsic risks in the Project in terms of avoiding further cost escalation.
- 7.7. These risks and uncertainties have resulted in the Project being assessed as offering High value for money with a Medium certainty of achieving this. This is despite a reasonably strong strategic rationale, robust monetised economic appraisal and demonstrable experience of successfully delivering similar schemes.

## **8. Project compliance with the SELEP Assurance Framework**

- 8.1. Table 4 considers the assessment of the Business Case against the requirements of the SELEP Assurance Framework. This assessment demonstrates that the Project broadly complies with the requirements of the SELEP Assurance Framework.

Table 4: Assessment of the Project against the requirements of the SELEP Assurance Framework

Requirement of the Assurance Framework to approve the Project	Compliance (RAG Rating)	Evidence in the Business Case
A clear rationale for the interventions linked with the strategic objectives identified in the SELEP Economic Recovery and Renewal Strategy	Green	A compelling strategic case has been developed, presenting a case for investment which is well aligned with current local, regional and national policy objectives.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account	Green/Amber	The Business Case sets out the expected outputs and gives an overview of the expected outcomes of the Project, although this is mostly qualitative. The ITE has confirmed that in their view the economic appraisal was carried out appropriately.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)	Green	An updated risk register has been provided which outlines key risks which may impact on the development and delivery of the remaining interventions. Mitigation measures have been identified for all stated risks.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions	Green	The Project is expected to deliver improvements to journey quality and benefits related to accessibility and health. The Business Case indicates an overall Benefit Cost Ratio (BCR) of 3.49:1. Sensitivity testing has been undertaken and this demonstrates that the Project continues to offer High value for money (BCR 2.89:1) if benefits related to the provision of RTP1 are 50% less than forecast.

**9. Recommendations made to the Board**

9.1. The following recommendations have been set out in this report for Board consideration:

9.1.1. **Agree** that the proposed change of scope for the Hastings and Bexhill Movement and Access Package can be implemented. Noting that the Independent Technical Evaluator has assessed the Project as offering High value for money with Medium certainty of achieving this.

9.1.2. **Agree** the updated completion date of March 2026 (delayed from Summer 2025) for the Hastings and Bexhill Movement and Access Package.

- 9.2. If delivery of the Project is to progress as outlined in the revised Business Case, the Board will need to support both recommendations set out above.
- 9.3. The above recommendations have been proposed following consideration of the rationale for submission of the Change Request, the content of the revised Business Case and the outcome of the ITE review.
- 9.4. As outlined in Section 5.2 of this report, the primary driver for the submission of the Change Request was increasing costs, with recent cost estimates significantly exceeding the allocated budget. These costs increases have primarily been attributed to the impact on construction costs of the war in Ukraine but the impact of the COVID-19 pandemic has also been referenced.
- 9.5. As the Board are aware, similar cost increases have been reported by numerous projects across both the LGF and Getting Building Fund (GBF) programmes and additional funding has been awarded to both LGF and GBF projects to help bridge the resultant funding gaps. With this information in mind, the rationale for submitting the Change Request appears reasonable.
- 9.6. The proposed revised scope for the Project outlined within the revised Business Case remains in line with that approved by the Board in February 2018. The Project will continue to deliver interventions within each of the four main areas identified in the original Business Case: Walking and Cycling infrastructure, Public Transport Infrastructure, Traffic Management improvements and Public Realm improvements. Consequently, the expected project benefits remain broadly in line with those set out in the original Business Case. It should be noted that the transport benefits referenced in the revised Business Case are primarily qualitative, as was the case with the original Business Case, however, it has been noted by East Sussex County Council that, as a result of the change in project scope, the length of newly resurfaced roads and new cycle ways will be reduced compared to that set out in the original Business Case.
- 9.7. The Project will continue to indirectly support the realisation of jobs, homes and employment workspace outcomes as set out in the Rother and Hastings Local Plans. As has been referenced above, the realisation of these benefits to date has been lower than anticipated but this is likely to be primarily as a result of other economic challenges faced by the entire country since the original Business Case was produced.
- 9.8. The Strategic Case for the Project remains strong, with a focus on achieving modal shift away from the car to more sustainable modes of travel. This continues to be a national priority and the revised Business Case demonstrates that new National, Regional and Local policies focusing on achieving net zero and decarbonisation have been published since the preparation of the original Business Case.
- 9.9. Finally, the ITE has concluded that the Project continues to offer High value for money with Medium certainty of achieving this. The Business Case demonstrates that High value for money is still achieved, even if lower than expected benefits are achieved.
- 9.10. A further recommendation is also set out in the report:

9.10.1. **Agree** that a review will be undertaken to determine if there is a compelling case for East Sussex County Council to retain LGF of up to £630,488 against the Project to inform a decision at the November 2023 Board meeting.

9.11. As set out in Sections 5.13 to 5.15 of this report, East Sussex County Council have considered this expenditure and are satisfied that, despite the spend being on interventions which are not being brought forward to delivery, the spend can continue to be capitalised under CIPFA guidance. It is important that Essex County Council (as Accountable Body for SELEP) is also satisfied that this expenditure can continue to be capitalised in accordance with the grant conditions and therefore there is a need for a review of the expenditure to be undertaken by the Accountable Body in advance of the next Board meeting.

9.12. The outcome of the review will be presented to the Board in November 2023. If it is concluded that there is not a compelling case for East Sussex County Council to retain LGF of up to £630,488 against the Project, the Board may be asked to consider the removal of this element of the funding from the Project at the next meeting.

## 10. Next steps

10.1. If the Board choose to agree the recommendations set out in this report, East Sussex County Council will resume work on the three prioritised interventions and will take the necessary steps to secure the identified development contributions to support delivery.

10.2. Delivery of the Project will continue to be monitored by the SELEP Capital Programme Team and updates will be provided to the Board as appropriate. Given the planned dissolution of SELEP in March 2024 and the transfer of activities to Upper Tier Local Authorities, a key activity over the coming months will be to determine how best to ensure the effective ongoing management of the SELEP Capital Programme, which will include ongoing oversight of the Project.

10.3. If the Board are minded to not agree the recommendations set out in this report, a further update will be provided to the Board at the November 2023 meeting. This update will consider the ongoing status of the Project within the LGF programme and will ask the Board to consider whether there is compelling justification to not seek clawback of the LGF funding spent to date.

## 11. Financial Implications (Accountable Body comments)

11.1. The Project was awarded a total of £9.0m LGF funding by the Board in February 2018. £5.302m of the £9.0m LGF allocation has been spent to date. Based on the proposed Project Change Request, East Sussex County Council (ESCC) are forecasting to spend the remaining £3.698m between 2023/24 and 2025/26, with a requested end date of March 2026.

11.2. The Independent Technical Evaluator (ITE) has undertaken a review of the revised Business Case and concluded that it offers High value for money with a Medium certainty of achieving this due to moderate risk, primarily with respect to future cost uncertainty. As the conditions of the grant from Government do not include an end date, there is no risk of clawback by Government due to spend beyond Summer 2025; however, there is reputational risk to SELEP and potential risk to future funding streams where defrayal of

funding and delivery cannot be demonstrated or is delayed – Government review this as part of the Annual Performance Review of LEPs.

- 11.3. The funding for this Project has been transferred to ESCC under the terms of a Service Level Agreement (SLA) which makes clear that funding can only be used in line with the agreed terms. The SLA also sets out the circumstances under which funding may have to be repaid should it not be utilised in line with the conditions of the agreement or in accordance with the decisions of the Board. The SLA also sets out that it is the responsibility of ESCC to secure any additional funding to address any cost increases associated with the Project.
- 11.4. It is noted that alongside the cost risks identified by the ITE for this Project, the development contributions of £0.541m will be sought from available contributions during 2023/24, subject to the Board approving the proposed change to the Project at this meeting; should ESCC be unsuccessful in securing this funding for this Project, under the terms of the SLA, it will be responsible for securing alternative funding to address this.
- 11.5. ESCC have advised that they wish to retain £630,488 of historic LGF spending that has been applied on delivery of the original project for which the full completion and realisation of benefits are not now expected to be realised; the SELEP Assurance Framework makes allowance for retention of such monies where:
  - 11.5.1. the conditions of the grant continue to be met;
  - 11.5.2. the spend is in accordance with the SLA; and
  - 11.5.3. there is a compelling case to do so.
- 11.6. Essex County Council (as Accountable Body) is responsible for ensuring that the LGF funding is utilised in accordance with the conditions set out by Government for use of the Grant and will work with SELEP and ESCC to assure compliance of the use of the Grant in line with the requirements of the Grant Conditions and the SLA. In addition, any recommendation will need to present a compelling case to the Board to retain the LGF.
- 11.7. Should any of the funding not meet the criteria for capitalisation or be outside of any of the conditions of the SLA, a recommendation will be brought to the next meeting of the Board to require ESCC to repay the LGF to Essex County Council, as the Accountable Body for SELEP.

## **12. Legal Implications (Accountable Body comments)**

- 12.1. If the Change of scope for the project is not agreed by the Board and the project remains undeliverable, the provisions set out within the SLA will be activated, and Essex County Council, as the Accountable Body, will expect East Sussex County Council to repay funding as required due to the conditions of the SLA no longer being met.

## **13. Equality and Diversity Implications**

- 13.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:

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- 13.1.1. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act.
  - 13.1.2. Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - 13.1.3. Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 13.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 13.3. In the course of the development of the project business case, the delivery of the Project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

### 14. List of Appendices

- 14.1. Appendix A – Report of the Independent Technical Evaluator

### 15. List of Background Papers

- 15.1. [Original Project Business Case](#)
- 15.2. [Project change request](#)
- 15.3. [Revised Business Case](#)

**(Any request for background papers listed here should be made to the person named at the top of the report who will be able to help with any enquiries)**

Role	Date
<b>Accountable Body sign off</b> Michael Neumann <b>(on behalf of Nicole Wood, S151 Officer, Essex County Council)</b>	14/09/2023

# Independent Technical Evaluator – Business Case Assessment – Q1 2023/24

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Our ref: 22790514

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# 1 Independent Technical Evaluation of Local Growth Fund Schemes

## Overview

- 1.1 Steer was reappointed as the South East Local Enterprise Partnership’s Independent Technical Evaluator in April 2023. It is a requirement of Central Government that every Local Enterprise Partnership subjects its business cases and investment decisions to independent scrutiny.
- 1.2 Recommendations will be made for funding approval by the Accountability Board in line with the South East Local Enterprise Partnership’s own governance.

## Method

- 1.3 The review provides commentary on the business cases submitted by scheme promoters, and feedback on the strength of business case, the value for money likely to be delivered by the scheme (as set out in the business case) and the certainty of securing that value for money.
- 1.4 Our role as Independent Technical Evaluator is not to purely assess adherence to guidance, nor to make ‘go’ / ‘no go’ decisions on funding, but to provide evidence to the South East Local Enterprise Partnership Board to make such decisions based on expert, independent and transparent advice. Approval will, in part, depend on the appetite of the Board to approve funding for schemes where value for money is not assessed as being high (i.e. where a benefit to cost ratio is below two to one and / or where information and / or analysis is incomplete).
- 1.5 The assessments are based on adherence of scheme business cases to Her Majesty’s Treasury’s *Green Book: Central Government Guidance on Appraisal and Evaluation*<sup>1</sup>, and related departmental guidance such as the Department for Transport’s TAG (Transport Analysis Guidance, formerly WebTAG) or the DLUHC Appraisal Guide. All of these provide proportionate methodologies for scheme appraisal (i.e. business case development).
- 1.6 Pro forma have been developed based on the criteria of *The Green Book*, a ‘checklist for appraisal assessment from Her Majesty’s Treasury, DfT’s TAG, DLUHC’s Appraisal Guide, and other departmental guidance.

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<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/685903/The\\_Green\\_Book.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf)

- 1.7 Individual criteria are assessed and given a ‘RAG’ (Red – Amber – Green) rating, with a summary rating for each dimension. The consistent and common understanding of the ratings are as follows:
- **Green:** approach or assumption(s) in line with guidance and practice or the impact of any departures is sufficiently insignificant to the Value for Money category assessment.
  - **Amber:** approach or assumption(s) out of line with guidance and practice, with limited significance to the Value for Money category assessment but should be amended in future submissions (e.g. at Final Approval stage).
  - **Red:** approach or assumption(s) out of line with guidance and practice, with material or unknown significance to the Value for Money category assessment, requires amendment or further evidence in support before gateway can be passed.
- 1.8 The five dimensions of a government business case are:
- **Strategic Dimension:** demonstration of strategic fit to national, Local Enterprise Partnership and local policy, predicated upon a robust and evidence-based case for change, with a clear definition of outcomes and objectives.
  - **Economic Dimension:** demonstration that the scheme optimises public value to the UK economy as a whole, through a consideration of options, subject to cost-benefit analysis quantifying in monetary terms as many of the costs and benefits as possible of short-listed options against a counterfactual, and a preferred option subject to sensitivity testing and consideration of risk analysis, including optimism bias.
  - **Commercial Dimension:** demonstration of how the preferred option will result in a viable procurement and well-structured deal, including contractual terms and risk transfer.
  - **Financial Dimension:** demonstration of how the preferred option will be fundable and affordable in both capital and revenue terms, and how the deal will impact on the balance sheet, income and expenditure account, and pricing of the public sector organisation. Any requirement for external funding, including from a local authority, must be supported by clear evidence of support for the scheme together with any funding gaps.
  - **Management Dimension:** demonstration that the preferred option is capable of being delivered successfully in accordance with recognised best practice and contains strong project and programme management methodologies – this includes the need for a Monitoring and Evaluation Plan and Benefits Realisation Plan.
- 1.9 In addition to a rating across each of the five dimensions, comments are provided against Central Government guidance on assurance – **reasonableness** of the analysis, risk of error (or **robustness** of the analysis), and **uncertainty**. Proportionality is applied across all three areas.
- 1.10 Assessments are conducted by a team of transport and economic planning professionals, and feedback and support are given to scheme promoters throughout the process via workshops, meetings, telephone calls and emails.

## Local Growth Fund

1.11 One business case has been assessed for schemes seeking a Local Growth Fund allocation. Below are our recommendations to the Accountability Board, including key findings from the evaluation process and details of any issues arising.

1.12 With the scheme not yet at full business case stage, there remains some residual risk to value for money and deliverability until all contractor costs are confirmed.

### High value for money, Medium certainty

1.13 The following scheme is estimated to represent **High value for money** with a **Medium certainty** of achieving this level of value for money. This is based on a Gate 2 review of an updated business case, with the original business case and Gate 1 review dating to late 2017.

#### *Hastings and Bexhill Movement and Access Package (£9m)*

1.14 The scheme comprises several packages of walking and cycling infrastructure, public transport improvements, traffic management measures and public realm improvements. Since 2017, thirteen of the originally included schemes have been discounted, ten have been constructed, one is to be constructed in 2023/24 and three form part of 'Phase 2' from 2023/24. Out-turn costs from 2023/24 onwards are estimated at £4,571,254. The three Phase 2 schemes are:

- WC4a: Bexhill Cycle Route A
- PR1: Hastings – Gateway from Town Centre and Seafront (Albert Road)
- PR2: Hastings – Gateway Transport Hub to Town Centre (Station Approach)

1.15 The strategic case exhibits strong alignment with SELEP's strategic priorities. The scheme aims to encourage modal shift to active modes and public transport, unlock economic growth and new development in the Hastings and Bexhill area (supporting the respective Local Plans to this end), improve health and wellbeing by encouraging physical activity and connecting key services, integrate with related key infrastructure projects such as those being delivered by the Hastings Town Deal, support the growing cultural sector in the area and reduce traffic congestion.

1.16 The wide-ranging nature of the scheme means it should have an impact on most or all of the priorities identified in the Strategic Economic Plan. Furthermore, it is likely that the need for intervention has become stronger since 2017 due to the increasing urgency of decarbonisation, increased investment in the area and the potential for future growth and investment (e.g. the possibility of bringing HS1 rail services to Hastings and/or Bexhill).

1.17 Value for money exemptions were not applicable to this scheme. The overall package (and its constituent schemes) has undergone economic appraisal and a benefit cost ratio of 2.89 was calculated representing **High value for money**. All of the to-be-constructed schemes individually are also comfortably in the **High value for money** category. According to the business case, this is a low-end estimate that assumes only 50% of the expected benefits from the implementation of real-time passenger information on public transport occur.

1.18 The benefits of the scheme largely emanate from improvements in journey quality/ambiance (due to improvements in the journey environment) and health benefits arising from increased physical activity. It is our assessment that the appraisal was carried out appropriately and in a robust manner with relatively minor points of clarification and correction outstanding.

1.19 A qualitative justification for the scheme is also provided in terms of evaluating benefits. Key outcomes are as follows:

- Increased levels of walking and cycling;
- Increased levels of bus patronage;
- Improved bus punctuality;

- Improvements to road safety; and
- Improvements to congestion at key junctions.

- 1.20 According to the Monitoring and Evaluation Plan in the updated business case, these outcomes will be monitored annually and reported on both one and five years after all constituent schemes are constructed.
- 1.21 Moderate uncertainties are still present in the business case, including there being limited information on the original generation of alternative options for the scheme, a possible need to consider additional interdependent schemes (i.e. Hastings Public Realm and Green Connections), potentially outdated baseline cycle demand and a lack of clearly defined inflation assumptions. There are also intrinsic risks in the scheme in terms of avoiding further cost escalation, though the scheme promoter has made this a priority having procured the remaining works from the new East Sussex Highways Contract with robust contractual arrangements in place. Significant disruptions owing to the Covid-19 pandemic and subsequent cost of living (inflation) crisis largely explain deviations from the original programme.
- 1.22 However, this has prevented the scheme from being recommended as having higher than **Medium certainty** despite a reasonably strong strategic rationale, robust monetised economic appraisal, and experience of successfully delivering similar schemes (i.e. Phase 1).

**Table 1.1: Gate 1 & 2 Assessment of Local Growth Fund Business Case(s) for Q1 2023/24**

Scheme	SELEP Allocation	Benefit to Cost Ratio ('x' to 1)	Strategic Dimension Rating	Economic Dimension Rating	Commercial Dimension Rating	Financial Dimension Rating	Management Dimension Rating	Assurance of Value for Money		Level of Overall Uncertainty
								Reasonableness of Analysis	Robustness of Analysis	
HBMAP	£9m	2.89 to 1	Amber / Green	Amber / Green	Green	Amber	Amber / Green	<p>Strategic Case for the scheme is strong, with a clear and compelling need for intervention and a wide range of potential benefits outlined. However, Gate 2 comments on the generation of alternative options and interdependent schemes need to be addressed. Commercial Case describes a fairly straightforward and reasonable approach to procurement. Management Case is mostly reasonable, a summary of key risks is included and the high-level risk management strategy addresses its Gate 1 comments.</p>	<p>Economic Case is robust, with a clearly defined approach to each benefits stream and assumptions behind the appraisal readily available in Appendix G. Full results sheets have also been provided in Appendix C. There are some relatively minor issues to clarify with the scheme promoter around their methodology; namely whether a sensitivity can be applied updating baseline cycle demand for the scheme and stating the year of some of the other data used. In the Financial Case, inflation assumptions need to be clearly provided, justified, and amended if necessary to further mitigate against cost escalation and provide funding certainty.</p>	<p>As outlined opposite, overall uncertainty is moderate. The key issue is the treatment of inflation, i.e., the lack of clarity around the assumptions in the Financial Case. The full set of issues are expounded upon in detail within the Gate 2 review.</p>

## Control Information

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### Client contract/project number

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### Distribution

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Client: SELEP

Steer: Project team

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V2.0 Draft for Client

### Date

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11 August 2023  
14 August 2023





<b>Report title:</b> Queensway Gateway Road LGF Project Update	
<b>Report to:</b> Accountability Board	
<b>Report author:</b> Richard Dawson, Head of Service - Economic Development, Skills and Infrastructure, East Sussex County Council and Helen Dyer, SELEP Capital Programme Manager	
<b>Meeting date:</b> 22 September 2023	<b>For:</b> Decision
<b>Enquiries to:</b> <a href="mailto:Helen.dyer@southeastlep.com">Helen.dyer@southeastlep.com</a>	
<b>SELEP Partner Authority affected:</b> East Sussex	

## 1. Purpose of report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to receive a further progress update on the delivery of the Queensway Gateway Road Local Growth Fund (LGF) project (the Project).
- 1.2 The Board has been provided with regular updates on the Project and this update sets out the current position and any known risks to delivery.

## 2. Recommendations

- 2.1 The Board is asked to:
  - 2.1.1 **Note** the latest update position on the delivery of the Project.
  - 2.1.2 **Note** that East Sussex County Council is working with its delivery partner to ascertain the extent to which further resource is required to complete the project.
  - 2.1.3 **Agree** that a clear delivery plan, including an indicative delivery programme, total project cost and funding package, should be provided at the January 2024 Board meeting.
  - 2.1.4 **Agree** that the Board will be provided with a further update on the Project at its meeting in November 2023.

## 3. Background

- 3.1 The Project will deliver a single carriageway road link between A21 Sedlescombe Road North and Queensway in Hastings. Construction of this road link provides access to designated employment development sites within the Bexhill Hastings Growth Corridor which would otherwise not be brought forward.

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- 3.2 The original Business Case was submitted at the value of £15m in February 2015 and was approved by the SELEP Strategic Board on 20 March 2015 and at the time indicated that the Project would complete in November 2016 based on when the funding would be received. Planning permissions were granted by Hastings Borough Council in 2015. However, the Project was delayed by a judicial review which was unsuccessful, and Hastings Borough Council took the application back to their Planning committee and approval was awarded in January 2016.
- 3.3 £9m of the funding from the Project was utilised to accelerate the delivery of other East Sussex Schemes, including the North Bexhill Access Road. At a later stage £4m of LGF funding was restored to the Project to bring funding up to £10m, with Sea Change Sussex providing £2m on top of this – approved by the SELEP Accountability Board in February 2018.
- 3.4 Since 2018, the £10m LGF funding allocation has been spent in full supporting project delivery to the end of 2020/21. The remainder of the main carriageway works were completed by July 2019 with the only residual works being the junction improvements with the A21 to allow the connection to open the road to traffic. The first part of the connection on the existing carriageway to the junction of Whitworth Road was completed in January 2021.
- 3.5 Completion of the final section of the Project, which involved the construction of a roundabout with the A21, was impacted by delays that Sea Change Sussex have experienced in securing the land to construct the scheme with extant planning permission approved by Hastings Borough Council. Consequently, Sea Change Sussex developed an alternative connection arrangement that utilises, improves, and signalises the existing Junction Road junction with the A21 which will allow the road to be completed and opened to traffic. Following discussions with both National Highways and East Sussex County Council as the local highway authorities, the principle of the signalised connection has been accepted. Both parties are working to confirm the overall funding package and contractual position before the final connection to the A21 can commence onsite.

## 4. Progress on the Section 278 agreement

- 4.1 There are technical requirements with the outcome of Stages 1 and 2 of the Road Safety Audit highlighting the need for a Traffic Regulation Order for the prohibition of parking in areas of Whitworth Road and design of the cycleway. In August 2022, National Highways issued an addendum to the Road Safety Audit asking that there was a review of the cycleway detail. This is an additional process that is required to satisfy the requirements of the Audit and must be carried out before all parties can enter into a Section 278 agreement. Sea Change Sussex's designers have submitted an amended drawing in relation to the Stage 2 Road Safety Audit and the designer's response has received the necessary sign off.
- 4.2 Once the final full and complete set of drawings, specifications, plans and costings for the full Project have been received and technical approval has been granted by East Sussex County Council and National Highways, legal instruction will be given to put the Section 278 agreement in place. Much of the information has already been received by East Sussex County Council, reviewed, and given technical approval, but there are outstanding matters,

## Queensway Gateway Road LGF Project Update

including the complete signage package. Design approvals are in the final stages with final amendments to plans being progressed by Sea Change Sussex.

4.3 Experience has shown that technical approval to sign-off of the Section 278 agreement typically takes between 1 week and 2 months. However, this is subject to timely progression by all parties concerned and there being a general agreement to clauses contained within the draft agreement. This remains the subject of ongoing discussions, and the progression down the Section 278 route is not Sea Change Sussex' favoured option.

4.4 The following Traffic Regulation Orders (TROs) still need to be made and implemented prior to the completed scheme being open to through traffic:

4.4.1 Junction Road Prohibition of Driving (requires re-advertising as the previously made TRO has expired)

4.4.2 Whitworth Road Speed Limit

4.4.3 Whitworth Road waiting restrictions to prevent on-street parking.

4.5 Both the Whitworth Road TRO's will be progressed for formal consultation and public advertisement by the East Sussex County Council Parking team once the start date for works is confirmed. It is envisaged that the Junction Road TRO will be re-advertised at the same time.

4.6 Once East Sussex County Council and National Highways have reviewed the full set of plans and drawings, including the signage package, and the Section 278 agreement is in place, the road space for undertaking the works will need to be booked with both East Sussex County Council and National Highways.

## **5. East Sussex County Council position with Sea Change Sussex on progress and funding associated with the Queensway Gateway Road**

5.1 At the last meeting the Board was informed East Sussex County Council and Sea Change Sussex were in dispute. Since then, East Sussex County Council and Sea Change Sussex have met and held constructive dialogue to progress the Project. Both parties are working together to bring the Project to a close through the construction of this final connection to the A21. Further work will take place over the coming weeks to ascertain the extent of the additional funding package, delivery programme, and the legal agreements that will be required to support project delivery. Whilst additional funding will be required it is anticipated that the Project will be delivered within the amount estimated in the original 2015 Business Case of £15m.

## **6. Steps taken to bring forward the commercial development**

6.1 As stated within the previous update report, the employment sites unlocked by the Project are already accessible from the Queensway end of the Gateway Road. The delivery of the final connection with the A21 will maximise the employment benefits already realised through the 90% of the road that is complete, as well as resolving existing traffic congestion, particularly along The Ridge.

## Queensway Gateway Road LGF Project Update

- 6.2 During the last Board meeting in June, a verbal update was provided in respect of the (approximately) 17 acres of land owned by East Sussex County Council around the project site. This land could potentially be used to deliver some of the employment benefits set out in the Project Business Case. The East Sussex County Council Property Team have prepared an internal options report to seek approval of actions to be taken, ahead of any decision to either dispose of or keep this asset. The draft options report demonstrates that the preferred option is to see the full connection be realised to unlock the potential of the other sites prior to progressing the benefit opportunities. East Sussex County Council and Hastings Borough Council have subsequently met to explore ways the land could be packaged to attract investment.
- 6.3 To date there have been 36 construction jobs reported by Sea Change Sussex in connection with the delivery of the Project. This compares to 12 FTE construction jobs related to the construction of the road and 30 construction jobs related to the construction of the new employment floorspace as set out in the Business Case.


## **7 Risk Assessment Reporting**

- 7.1 Since June 2023, East Sussex County Council have reviewed the key risks impacting on project delivery and the mitigation measures which are being employed to manage these risks:

Queensway Gateway Road LGF Project Update

Risk	RAG rating (June 2023)	Change since last Board meeting	Current RAG rating (September 2023)	Progress & Actions
<p><b>Programme</b></p> <ul style="list-style-type: none"> <li>▪ Delays in technical approvals by National Highways</li> <li>▪ Objections received as part of formal TRO advertisement</li> <li>▪ Procurement for final stage of construction not progressing</li> </ul>	Red	➔	Red	<ul style="list-style-type: none"> <li>▪ East Sussex County Council to monitor in line with SELEP reporting requirements and evaluate any impacts and delays to the programme.</li> <li>▪ Ongoing communication with National Highways and Sea Change Sussex regarding technical approvals.</li> <li>▪ TRO objections to be considered at Planning Committee as required.</li> <li>▪ Procurement route and tendering to be agreed between East Sussex County Council and Sea Change Sussex.</li> <li>▪ Road space for undertaking the works will need to be booked with both East Sussex County Council and National Highways</li> </ul>
<p><b>Benefits Realisation</b></p> <ul style="list-style-type: none"> <li>▪ Inability to attract third party private sector investment for follow-on development due to market uncertainty because of impact of external factors such as: Brexit; Covid-19 pandemic; Supply chain/labour shortages and cost price inflation; Ukraine war and energy price inflation; Cost of living crisis</li> </ul>	Red	➔	Red	<ul style="list-style-type: none"> <li>▪ East Sussex County Council to monitor in line with SELEP reporting requirements and evaluate any impacts and delays to the timeline for benefits realisation.</li> <li>▪ East Sussex County Council Property team have produced a review looking at the options for marketing the employment site which sits within their ownership. The outcomes of the review are shared within this report.</li> </ul>
<p><b>Design Updates</b></p> <ul style="list-style-type: none"> <li>▪ Delays to Road Safety Audit Stage 2 Addendum Report approvals due to extent of auditor's comments</li> <li>▪ Procurement cannot be finalised and is subject to variations until</li> </ul>	Amber	➔	Amber	<ul style="list-style-type: none"> <li>▪ Continue to monitor outstanding actions and communicate with National Highways and Sea Change Sussex for updates.</li> </ul>

Queensway Gateway Road LGF Project Update

<p>National Highways' additional approval process has been completed</p>				
<p><b>Project Budget/Cost</b></p> <ul style="list-style-type: none"> <li>▪ Potential for long lead-in times and material delays/cost increases</li> <li>▪ Overall budget to be confirmed</li> </ul>	Red		Red	<ul style="list-style-type: none"> <li>▪ Undertake final procurement stage at earliest opportunity to mitigate potential for further tender cost rises.</li> <li>▪ Required traffic signals already procured to reduce risk of extended lead in times impacting on delivery programme.</li> <li>▪ Ongoing budget to deliver scheme to be agreed between East Sussex County Council and Sea Change Sussex.</li> </ul>

## **8. Next steps**

- 8.1 East Sussex County Council will work with its delivery partner on the areas set out in the report and to ascertain the extent of the further resource that is required to complete the Project.
- 8.2 The Board will be provided with further updates on the Project until satisfied that the deliverability risk has been fully addressed and has reduced to an acceptable level. The next report will be at its meeting in November 2023.

## **9. SELEP comments**

- 9.1 As the Board will recall, a written update on project delivery was provided at the last meeting but the report did not provide the comprehensive update requested at the July 2022 Board meeting. The report provided raised concerns regarding the availability of funding to deliver the remaining elements of the Project, was unable to provide a comprehensive delivery programme and raised concerns regarding the ongoing feasibility of realising the forecast project benefits. Furthermore, within the report, East Sussex County Council identified areas of contention between themselves and Sea Change Sussex, including in relation to the funding package. The Board noted that options for the way forward in relation to project delivery should be provided at this meeting.
- 9.2 Whilst this report indicates that there have been positive and constructive discussions between East Sussex County Council and Sea Change Sussex since the last Board meeting, there remains a need for agreement to be reached in relation to how the remaining elements of the Project will be delivered.
- 9.3 East Sussex County Council have sought to identify those areas where there is an ongoing need for agreement to be reached and have provided some commentary as to the steps which need to be taken to secure completion of the Project. However, at this stage, East Sussex County Council remain unable to provide a clear programme for project delivery which continues to be a concern – particularly in the context of the impending dissolution of SELEP.
- 9.4 It is understood from previous reports to the Board that delivery of the remaining elements of the Project cannot progress until the full funding package has been confirmed. There is therefore a risk that delivery of the final connection with the A21 could be subject to a significant delay if it is not possible for the funding package to be confirmed in a timely manner. However, it is currently acknowledged that the Project is not in a position to resume work onsite as there remain outstanding formal approvals from both National Highways and East Sussex County Council. These approvals need to be secured to allow the completion of the Section 278 agreement for the works. If the funding package cannot be confirmed prior to these elements being completed, there will be a direct impact on the delivery programme for the remaining works.
- 9.5 In addition to the potential adverse impact on the delivery programme, there is also a risk that the total project cost will increase if a funding package and contractual arrangements cannot be confirmed in the short-term. It has been widely reported across the LGF and Getting Building Fund (GBF) programmes that construction costs have increased significantly in recent months. This is due to a range of factors including availability and cost



## Queensway Gateway Road LGF Project Update

of materials, high inflation levels and issues with labour supply. It is important that these factors are taken into account when discussing the funding package to ensure that a funding gap is not identified at a later date.

- 9.6 In light of these concerns, it is imperative that a more comprehensive update on project delivery is provided at future Board meetings, which clarifies the funding package and delivery programme. To this end, the Board are asked to agree that a clear delivery plan, including an indicative delivery programme, total project cost and funding package, should be provided at the January 2024 Board meeting. Provision of this information is critical to provide both the Board and members of the public with confidence that the remaining elements of the Project will be delivered.
- 9.7 As referenced at Section 9.1 of this report, it was noted at the last Board meeting that options for progressing the Project would be brought forward for Board consideration at this meeting. Following further discussions with East Sussex County Council, it was noted that since the last Board meeting, positive steps have been taken to resolve the areas of contention with Sea Change Sussex. The reported positive engagement between East Sussex County Council and Sea Change Sussex would appear to reduce the risk associated with completion of the Project, however, the status of the relationship between the two parties will be monitored, alongside progress towards delivery.
- 9.8 Given the more positive tone of this update, alternative options are not set out for Board consideration at this meeting. However, should it not be possible for the required information to be presented to the Board in January 2024, options will be brought forward for Board consideration including the potential for the LGF funding to be removed from the Project.
- 9.9 The impending dissolution of SELEP, following the decision by Government to not provide any further core funding to LEPs, places greater onus on East Sussex County Council to provide the required information in accordance with the timeline set out above. It is important that the Project is subject to further consideration by the Board and that a definitive decision on the ongoing status of the funding is taken prior to March 2024. Whilst it is acknowledged that the full LGF funding allocation has been spent supporting delivery of the Project, there remains a possibility that the Board could be asked to agree the removal of the LGF funding from the Project at the January 2024 meeting should it not be possible for East Sussex County Council to provide a clear delivery plan, which sets out how the Project will be fully delivered in accordance with the agreed Business Case.
- 9.10 Finally, as indicated in the Business Case, the completed project will provide access to designated employment development sites within the Bexhill Hastings Growth Corridor which would otherwise not be brought forward. Specifically, the Project opens up the development potential of key sites south of The Ridge, with capacity for up to 12,000sqm of employment floorspace.
- 9.11 According to the Business Case, the development of these key employment sites will facilitate the creation of 900 new jobs, with the first jobs originally expected to be realised in 2018/19, on the assumption that the road would be open in November 2016. These jobs will not be created directly through the LGF investment (the LGF investment will not deliver the commercial workspace) and are therefore considered to be indirect benefits of the Project.

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- 9.12 The direct benefits of the Project include reduced congestion on The Ridge, improved traffic flows on the A21 and the creation of new construction jobs. To date, reporting provided by East Sussex County Council indicates that 36 of the potential 42 construction jobs have been created as a result of the Project.
- 9.13 The delay in completing the final section of the Project presents a risk to the realisation of some of these benefits. The connection with the A21 is critical to ensure that the levels of congestion are reduced. It is expected that the completion of the signalised connection and the opening of the full length of the new road, will allow the immediate realisation of the anticipated traffic benefits.
- 9.14 As has been reported at previous meetings, access to the employment sites was unlocked in 2019 when the roundabout in the middle of the new road was completed. However, the realisation of the stated indirect employment benefits is entirely dependent upon this land being brought forward for commercial development, which is outside the scope of the works funded through the LGF.
- 9.15 At the last meeting, East Sussex County Council provided an update on the status of the section of the employment land unlocked by the Project which falls within their ownership. The update identified challenges associated with bringing forward development on the site – including topography, ecology and build costs. In addition, the update indicated that an options report had been drafted by the Council's Property Team, which would help to inform a decision as to whether to retain or dispose of the land.
- 9.16 East Sussex County Council have now indicated that the draft options report demonstrates that the preferred option is to see delivery of the Project completed before concerted efforts are made to bring forward the forecast employment benefits. This approach will ensure that all available employment land is unlocked, and will open opportunities for packaging land owned by East Sussex County Council and Hastings Borough Council in order to attract investment. Adoption of this approach may provide greater certainty as to the realisation of forecast project benefits, however, it does mean that the timeline for securing these benefits will be entirely dependent upon the delivery programme for the remaining elements of the Project which is yet to be established.
- 9.17 If it is not possible for commercial development to be brought forward on the site, the forecast employment benefits outlined in the Business Case will not be fully realised. It is important that consideration is given to the ongoing achievability of the anticipated employment benefits and the period over which these benefits can be achieved. If it is determined that the benefits outlined in the Business Case can no longer be realised, it will be necessary for a Change Request to be brought forward for Board consideration. It will be important to ensure that any changes to the project benefits do not adversely impact on the value for money offered by the Project – this consideration will form part of any required Change Request process.
- 9.18 It should be noted that if it is not possible to deliver the final connection with the A21 as set out within this report, that steps may be taken by the Board and Essex County Council (as the Accountable Body for SELEP) to recover the £10m LGF allocation to the Project from East Sussex County Council under the terms of the Service Level Agreement which is in place.

## 10. Financial Implications (Accountable Body Comments)

- 10.1 There continue to be a number of challenges to completion of the Project, albeit that the full £10m LGF allocation has already been spent supporting delivery; this presents risks to the Board on assuring delivery of the expected outcomes, particularly given the delay in completion experienced to date.
- 10.2 There continues to be uncertainty with respect to the delivery plan, timeline and the costs for completing the Project, which increases the overall risk to delivery.
- 10.3 Further risks continue to remain with respect to the funding required to complete the Project; previous updates to the Board have indicated a lack of clarity with regard to how the final section of the road is to be funded, with references to contributions from Sea Change Sussex as temporary funding. It is noted, however, that whilst East Sussex County Council have still not been able to provide assurance to the Board of a solution in this respect, the update indicates that there have now been constructive discussions between East Sussex County Council and Sea Change Sussex to progress towards resolving these issues. The Board are advised that should East Sussex County Council be unable to provide the requested information by the January 2024 meeting of the Board, then options for the way forward should be presented for consideration at that meeting, which could include recovery of some or all of the £10m LGF investment made on the road.
- 10.4 All LGF was transferred to East Sussex County Council, as the Project's Lead Authority, under the terms of a Service Level Agreement (SLA) which makes clear that funding can only be used in line with the agreed terms. It is also clear that ensuring sufficient funding is secured to support delivery of the Project is the responsibility of East Sussex County Council. The Agreements also set out the circumstances under which funding may have to be repaid should it not be utilised in line with the conditions of the grant or in accordance with the Decisions of the Board.
- 10.5 It is of concern to SELEP and the Board to ensure that the final section of the road is delivered to enable the realisation of the benefits set out within the Project Business Case; if completion of the road continues to be delayed or the completion cannot be assured then there is a risk that the Project may no longer meet the conditions of the SLA. In these circumstances, the Board may consider recovering some, or all, of the £10m LGF allocated to the Project.
- 10.6 A further risk of concern with respect to the benefits update which indicates that progress towards realising the wider benefits of commercial development in the land adjacent to the road is unlikely to be progressed until the road is fully completed and open to use; this issue similarly supports the imperative of an agreed way forward between East Sussex County Council and Sea Change Sussex to secure the completion of the road.
- 10.7 To monitor the on-going risks associated with this Project, the Board needs to be able to keep delivery progress under review and to take this into account with regard to any further decisions made in this respect. The limited update that East Sussex County Council have been able to provide to the Board in this report does not fulfil the expectations set out in the SLA and indicates additional risks to completion of the project. Further, ongoing effective monitoring of delivery and understanding of the risks along with proposed mitigations is essential for the Board, particularly due to the current uncertain economic climate and high

inflation, together with ongoing impacts experienced following the Covid-19 pandemic and Brexit.

## **11. Legal Implications (Accountable Body Comments)**

- 11.1 If the Project is not completed, the provisions set out within the SLA will be activated, and Essex County Council, as the Accountable Body, will expect East Sussex County Council to repay funding as required due to the conditions of the SLA no longer being met.

## **12. Equality and Diversity implications (Accountable Body Comments)**

- 12.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:

12.1.1 Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;

12.1.2 Advance equality of opportunity between people who share a protected characteristic and those who do not;

12.1.3 Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

- 12.3 In the course of the development of the project business case, the delivery of the Project and their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

## **13. List of Appendices**


- 13.1 Appendix A - LGF Project Background Information

**(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)**

Queensway Gateway Road LGF Project Update

Role	Date
<b>Accountable Body sign off</b>  Michael Neumann  (On behalf of Nicole Wood, S151 Officer, Essex County Council)	14/09/2023

## Appendix A – LGF Project Background Information

<b>Name of Project</b>	<b>Queensway Gateway Road, Hastings</b>  East Sussex County Council
<b>Local Growth Fund (LGF) allocation</b>	£10,000,000 – initial award March 2015
<b>Description of what Project delivers</b>	<p>The Queensway Gateway Road scheme compromises a single carriageway road link between A21 Sedlescombe Road North and Queensway. The road will connect with Queensway running south of its junction with the Ridge West, crossing the Hollington Stream valley on an embankment and then running south of Whitworth Road to join the A21 at a new junction north of the existing Sainsbury's store, as shown below. The road will facilitate access to employment sites to the north and south.</p>  <p>The map shows the proposed Queensway Gateway Road route in red. It starts at the A21 (Sedlescombe Road North) and runs south, crossing the Hollington Stream valley on an embankment. The route then runs south of Whitworth Road to join the A21 at a new junction north of the existing Sainsbury's store. Other roads shown include The Ridge West, Whitworth Road, and Queensway. Landmarks such as Beauport Park Hotel, Water Works, and Govt Offices are also marked.</p> <p>The road will connect the Combe Valley Way (formerly known as the Bexhill Hastings Link Road) via Queensway to the A21, redistributing traffic from Combe Valley Way and The Ridge heading towards the A21. The opening of the Combe Valley Way changed the balance of traffic movements in the Hastings and Bexhill area, and has resulted in increased traffic volumes along</p>

	<p>the Ridge and Queensway. By relieving congestion, the Queensway Gateway Road will improve strategic connectivity in the Bexhill Hastings Growth Corridor, improving employment development potential in Queensway and employment and housing growth potential in North Bexhill.</p> <p>The key objectives of the project are:</p> <ul style="list-style-type: none"> <li>• to support the development and employment potential of the Bexhill Hastings Growth Corridor;</li> <li>• to improve strategic access between the A21 and Queensway/Combe Valley Way and thereby strategic access to employment and housing sites in North Bexhill and Hastings; and</li> <li>• to alleviate congestion at junctions to the A21 enabling Combe Valley Way to perform to its full potential as a driver of economic growth.</li> </ul>
<p><b>Project benefits</b></p>	<p>The Queensway Gateway Road provides access to designated employment development sites within the Bexhill Hastings Growth Corridor which would otherwise not be brought forward.</p> <p>The new road allows land to be released for employment development, as set out within Hastings Local Plan 2004 and Hastings Planning Strategy. Specifically, the road opens up the development potential of key sites south of The Ridge, with capacity for up to 12,000sqm of employment floorspace.</p> <p>It is expected that the Project will lead to the creation of 900 new jobs. In addition, the development of Queensway Gateway Road and Combe Valley Way are expected to directly contribute to the delivery of at least 60,000 sqm of new employment workspace and construction of 3,100 new homes in North Bexhill by 2028 as a result of improved connectivity.</p>
<p><b>Project constraints</b></p>	<p>The Project is being delivered in phases with the first phase having started early in 2017. In March 2019, the western section of road was completed and was opened for access to local businesses only.</p> <p>The final section of the road as originally planned, to connect the already completed sections with the A21 via a roundabout, requires the purchase of remaining properties on the route. There is currently no clear timeline as to when the acquisitions could be completed either through negotiation or potentially through a Compulsory Purchase Order. This issue has delayed the completion of the Project and is identified as a significant risk to delivery.</p>

	<p>An alternative signalised connection with the A21 is being progressed to allow use of the new road as a through route. This connection may replace the originally planned roundabout on a permanent basis but is subject to further review to determine whether it achieves the forecast project benefits as per the approved Business Case.</p>
<p><b>Link to Project page on the website with full Business Case and links to any previous decisions by Accountability Board and/or Strategic Board</b></p>	<p><a href="https://www.southeastlep.com/project/queensway-gateway-road/">https://www.southeastlep.com/project/queensway-gateway-road/</a></p> <p>Funding decision (note: original LGF allocation to the project was £15m):  <a href="https://www.southeastlep.com/app/uploads/2018/06/Minutes-SELEP-Board-20th-March-2015-V3.pdf">https://www.southeastlep.com/app/uploads/2018/06/Minutes-SELEP-Board-20th-March-2015-V3.pdf</a></p> <p>Project changes:  <a href="https://www.southeastlep.com/app/uploads/2020/08/Accountability-Board-Summary-of-Decisions-23.02.18.pdf">https://www.southeastlep.com/app/uploads/2020/08/Accountability-Board-Summary-of-Decisions-23.02.18.pdf</a></p>