

Report title: Queensway Gateway Road LGF Project Update	
Report to: Accountability Board	
Report author: Richard Dawson, Head of Service - Economic Development, Skills and Infrastructure, East Sussex County Council and Helen Dyer, SELEP Capital Programme Manager	
Meeting date: 16 June 2023	For: Information
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SELEP Partner Authority affected: 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.
- 1.3 This update report solely contains the views of East Sussex County Council (ESCC).

2. Recommendations

- 2.1 The Board is asked to:
 - 2.1.1 **Note** that, for the reasons outlined in the report, it has not been possible to provide a full update on the Project at this meeting.
 - 2.1.2 **Note** that options for the way forward will be brought to the next meeting for Board consideration.

Update from East Sussex County Council

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 2016. 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.
- 3.3 Following the award of funding to the Project, funding gaps were reported across other LEP funded schemes in East Sussex and it was indicated by ESCC that the cost of delivering the Project had reduced by £9m. As a result, it was agreed that £9m of the LGF funding awarded to the Project would be reallocated across the wider LGF programme in East Sussex.
- 3.4 Subsequently, in December 2017, ESCC submitted a Change Request which sought to increase the LGF funding allocation to the Project by £4m. It was proposed that this funding would be reallocated from the A22/A27 Junction Improvement scheme (£1m) and from the Hastings and Bexhill Movement and Access Package (£3m). This reallocation was agreed by the Board in February 2018. The Change Request also indicated that Sea Change Sussex would be contributing £2m to the funding package for the Project.
- 3.5 Since 2018, the £10m LGF funding allocation has been spent in full supporting project delivery to the end of 2020/21 with Sea Change Sussex (as delivery partner) allocating a further £2m which has been classified as 'temporary contingency funding' to enable the completion of the Project. 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.
- 3.6 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 ESCC 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 outcome of the Stage 2 Road Safety Audit Addendum since the last update to the Board**
 - 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 (RSA) asking that there was a review of the

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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 (a legal agreement under the Highways Act 1980 which allows third parties to make permanent alterations or improvements to a public highway). To date, Sea Change Sussex's designers have submitted an amended drawing in relation to the stage 2 RSA and the designer's response has received the necessary sign off. However, Sea Change Sussex still need to submit the full set of plans and drawings including the signage package for review by ESCC and National Highways.

- 4.2 As amendments to previous designs are minor, Sea Change Sussex have been able to engage with contractors and have previously procured the traffic lights to mitigate the risk of long lead in times. Sea Change Sussex continue to engage with the main contractor to put in place arrangements ready to mobilise on site once all required approvals have been received.

5. ESCC position with Sea Change Sussex on progress and funding associated with the Project

- 5.1 ESCC wish to highlight that they are in disagreement with Sea Change Sussex regarding progress and funding associated with the Project.
- 5.2 ESCC are fully committed to resolving any contentions with Sea Change Sussex and are keen to see the Section 278 agreement finalised and, subject to Sea Change Sussex submitting the final plans and drawings, we see no reason as to why this will not be forthcoming. ESCC is in ongoing dialogue with Sea Change Sussex seeking to find a resolution to our disagreement to bring the project to a close with the construction of this final connection to the A21.

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 completed road as well as resolving existing traffic congestion, particularly along The Ridge.
- 6.2 ESCC has instructed its Property Team to look at options available for the employment site which sits within its ownership. At this stage, an internal options report has been prepared by the Property Team to seek approval on actions to be taken ahead of any decision to dispose of or keep this asset. The land residing around the Project extends to approx. 17 acres and is generally overgrown and has numerous mature trees throughout the area, whilst being left barren for a number of years and has a very steep slope. Current market conditions, coupled with the topography, ecology and build costs of the site makes it for a very challenging and expensive development opportunity in the current climate. Any development (other than for employment use) would also be subject to securing planning as the area is zoned for employment use. Speculative interest had been received by a major retail supermarket some time ago, but unfortunately this has subsequently not materialised as they deemed it not to be viable upon further investigation.




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- 6.3 The draft options report is currently being reviewed and we expect to be able to update the Board at the next meeting. This update will consider the forecast project benefits set out in the original Business case and will assess whether a project Change Request needs to be brought forward for Board consideration.
- 6.4 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 April 2023, ESCC have reviewed the key risks impacting on project delivery and the mitigation measures which are being employed to manage these risks:

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Risk	RAG rating (April 2023)	Change since last Board meeting	Current RAG rating (June 2023)	Progress & Actions
Programme <ul style="list-style-type: none"> Delays in technical approvals by National Highways Objections received as part of formal TRO advertisement Procurement for final stage of construction not progressing 	Amber		Red	<ul style="list-style-type: none"> ESCC to monitor in line with SELEP reporting requirements and evaluate any impacts and delays to the programme. Ongoing communication with National Highways and Sea Change Sussex regarding technical approvals. TRO objections to be considered at Planning Committee as required. Procurement route and tendering to be agreed between ESCC and Sea Change Sussex.
Benefits Realisation <ul style="list-style-type: none"> 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 	Amber		Red	<ul style="list-style-type: none"> ESCC to monitor in line with SELEP reporting requirements and evaluate any impacts and delays to the timeline for benefits realisation. ESCC 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 intended to be shared at the next meeting.
Design Updates <ul style="list-style-type: none"> Delays to Road Safety Audit Stage 2 Addendum Report approvals due to extent of auditor's comments Procurement cannot be finalised and is subject to variations until National Highways' additional 	Amber		Amber	<ul style="list-style-type: none"> Continue to monitor outstanding actions and communicate with National Highways and Sea Change Sussex for updates.

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

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8. Next steps

- 8.1 The next steps in terms of delivery of the Project are for Sea Change Sussex to submit the full set of plans and drawings including the signage package for review by ESCC and National Highways.
- 8.2 ESCC will seek agreement with Sea Change Sussex to address the project budget and to secure completion of the project.
- 8.3 ESCC will also consider the options review in marketing the employment sites in ESCC ownership.
- 8.4 The Board will continue to receive updates on the Project until satisfied that the deliverability risk has been fully addressed and has reduced to an acceptable level.

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 and was unable to provide a comprehensive delivery programme. The Board agreed that a further update on project delivery should be provided at this meeting.
- 9.2 Within this report East Sussex County Council have identified that there are areas of contention between themselves and Sea Change Sussex, including in relation to the funding package. As a result, East Sussex County Council have been unable to provide a full update on delivery of the Project for consideration by the Board at this meeting. Whilst acknowledging the challenges identified by East Sussex County Council, 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.
- 9.3 East Sussex County Council have indicated a commitment to resolving the areas of contention with Sea Change Sussex. However, at this time, East Sussex County Council have been unable to provide a timeline for resolution of these issues. 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 contentions to be resolved 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 contentions cannot be resolved prior to these elements being completed, there will be a direct impact on the delivery programme for the remaining works.
- 9.4 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

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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 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.

- 9.5 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.
- 9.6 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.
- 9.7 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.
- 9.8 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 and it is expected that these benefits will continue to be felt over a 15 year period.
- 9.9 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.
- 9.10 East Sussex County Council have sought to provide an update on the status of the section of the employment land unlocked by the Project which falls within their ownership. The report indicates that an options report has been drafted by the Council's Property Team, which will help to inform a decision as to whether to retain or dispose of the land. It is anticipated that a further update on the options available will be presented at the next Board meeting. However, the update provided in this report identifies challenges associated with bringing forward development on the site – including topography, ecology and build costs. 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. 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

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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.

- 9.11 It is important that a route to completion of the Project is identified as soon as possible. To this end, options for the way forward will be brought to the Board for consideration in September 2023.
- 9.12 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 SLA 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 timeline and the costs for completing the Project, which increases the overall risk to delivery. The dependency on the outcome of the respective approvals is noted for both of these issues, however, the extent to which challenges to completion remain are unclear in the absence of a full Project update from ESCC.
- 10.3 Further risks 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. Unfortunately, ESCC have not been able to provide assurance to the Board of a solution in this respect, at this meeting, and the Board are advised to seek clarity from ESCC on the options available to them to ensure delivery of the final section of 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.

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- 10.6 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 ESCC 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; it is noted that options are to be presented to the Board at the September meeting on the way forward for 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)

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Role	Date
Accountable Body sign off Michael Neumann (On behalf of Nicole Wood, S151 Officer, Essex County Council)	 08/06/2023