

Forward plan reference number: FP/AB/562

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: 23 September 2022	For: Decision
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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), which has been identified as High risk.
- 1.2 As the Project is considered to be High risk, there is a requirement for the Board to receive updates on project delivery until satisfied that the risk has been satisfactorily mitigated. This report sets out the progress since the last Board meeting 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** the identified risk in relation to the total project budget;
 - 2.1.3. **Agree** that the Board will be provided with a further update on the Project, which updates the project delivery plan and associated milestones and provides greater clarity on the total project budget, at its meeting on 25 November 2022.

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.
- 3.2 The £10m LGF funding allocation has been spent in full supporting project delivery to the end of 2020/21, with Sea Change Sussex allocating a further £2m temporary contingency funding to enable the completion of the scheme. Further information regarding the Project can be found in Appendix A - LGF Project Background Information.
- 3.3 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. As the Board are aware from previous updates, delivery of the Project has been slower than anticipated due to initial delays:
 - 3.3.1 in securing planning permission and discharge of planning conditions due to a judicial review challenge which was overcome by the issue of a fresh planning application on 8 January 2016, allowing the project to proceed from December 2016 on receipt of the last discharges; and
 - 3.3.2 in progressing the embankment works and completing the associated highways works – with timescales increasing from 10 to 19 months due to delays in the receipt of a Section 278 agreement (a legal agreement with the Highways Authority which permits a third party to carry out works to a public highway under the Highways Act 1980) connecting one end of the new Queensway Gateway Road (the Project) to Queensway.
- 3.4 The remainder of the main carriageway works were completed by July 2019 with the only remaining 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. As a consequence, 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

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with both National Highways and East Sussex County Council as the local highway authorities, the principle of the signalised connection has been accepted and is discussed in more detail later in the report.

- 3.6 This report provides an update on the delivery of this signalised connection which the scheme promoter, Sea Change Sussex, considers to remain within the definitions set out within the approved Business Case.

4 Progress and delivery on the signalised connection since the last update to the Board

- 4.1 The latest updates on areas where clarity can be provided and the Project timescales are provided below. At this moment, East Sussex County Council are unable to provide a complete indicative timeline of milestones as conversations on the technical approvals are ongoing between National Highways, Sea Change Sussex and East Sussex County Council to formalise the steps to delivering the signalised connection.
- 4.2 The report below demonstrates progress made on these fundamental technical approvals being sought as a Stage 2 Road Safety Audit Addendum has been required which supports the subsequent Section 278 legal agreement. Until these technical matters are finalised the overall timescales reported are unable to be provided with confidence, however, East Sussex County Council expect to be in a position to report on these with greater certainty at the next board meeting in November 2022. It is noted that significant resources are being applied from all parties to address these matters to ensure a swift conclusion.
- 4.3 Regarding technical approvals required these have progressed well with the Stage 1 Road Safety Audit highlighting the need for a Traffic Regulation Order (TRO) for the prohibition of parking in areas of Whitworth Road where it will cause a road safety issue. As a result, the necessary documentation to progress the TRO was submitted by Sea Change Sussex to East Sussex County Council on 29 July 2022. The TRO has been subject to informal and targeted stakeholder consultation. There have been no objection to the proposals. The formal advertisement of the TRO will commence in late September 2022 for a period of three weeks up to mid/late October 2022. If there are no objections, then the order can be finalised and sealed. However, if objections are received which cannot be resolved then these will need to be reported to East Sussex County Council's Planning Committee for their consideration. Based on the TRO advertisement timescales set out above; the earliest Planning Committee during which any objections would be considered is on 14 December 2022. However, the finalisation of the TRO only needs to be in place before the road is opened to traffic. As such this is not on the construction critical path but is on the critical path for project completion and opening of the road.

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- 4.4 With the employment sites already accessible from the Queensway end of the Gateway Road, the delivery of this connection 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.
- 4.5 Sea Change Sussex have been working through the Road Safety Audit process with National Highways. Following the previous sign off of the Stage 1 Road Safety Audit by National Highways, the Stage 2 Audit was issued via National Highways in January 2022. Design amendments have been made by Sea Change Sussex in line with the independent auditors' comments. Following review of the Stage 2 Road Safety Audit, National Highways requested an additional stage to the process with an Audit Addendum to review the amendments.
- 4.6 A brief for the Auditor was approved initially on 29 July 2022 and was subsequently amended. Following the provision of the requested design amendments to National Highways and East Sussex County Council, a revised brief was approved on 26 August 2022. This additional Stage 2 Audit Addendum has been commissioned by National Highways and is currently being completed. The Auditors report will then need to be considered by Sea Change Sussex and their design team who will need to respond to the audit comments /recommendations, which will then need to be signed off by the Auditor. The design will then need to be finalised by incorporating any necessary amendments. The whole audit process could take around 4 to 6 weeks depending on the extent of comments made by the Auditor and a timely turnaround at each stage throughout.
- 4.7 In light of the above, it is not until Sea Change Sussex have the required highways agreements in place with both East Sussex County Council and National Highways that all the consents required to construct the signalised junction will be in place.

5. Project Budget

- 5.1 East Sussex County Council are unable to provide a detailed financial update to the Board on this occasion but intend to do so at the next Board meeting. Ongoing discussions between Sea Change Sussex and East Sussex County Council continue on the overall funding package to be applied for the delivery of the connection to the A21, this is partly in light of cost pressures applied across the construction industry and to major projects of this nature. However, Sea Change Sussex have indicated an expectation that the capital costs will fall within the remaining £2m temporary contingency budget for the signalised connection within the overall estimated £12m budget.

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5.2 Once the technical approvals have been received the final designs, drawings and specifications will be able to be circulated to let the contract for the works. It is at this point that the overall budget and commitments will have greater certainty with the risks clearer to both parties which will, subject to agreement, enable the construction, delivery and outcomes of the overall project to proceed.

6. Benefits Realisation from Scheme

6.1 The Economic Case for the road was based on the unlocking of employment land within the ownership of East Sussex County Council and Hastings Borough Council which is identified in the adopted Hastings Local Plan. This land was made accessible by the creation of the middle roundabout of the scheme, which was completed in 2019, meaning the potential employment sites north and south of the Gateway Road have been accessible since then.

6.2 Hastings Borough Council are currently marketing their land for commercial development, however, the disposal of the land has been adversely impacted by the COVID-19 pandemic. The direct economic benefits of the scheme have been fully delivered with indirect benefits dependent on public sector owned land being brought forward for subsequent development.

6.3 To date there have been 36 construction jobs reported by Sea Change Sussex in connection with the delivery of the scheme. 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.

6.4 Fundamentally this is a road infrastructure project which will see the A21 connection delivering significant transport improvements by addressing issues with parts of the existing East Sussex County Council highways network that are currently over capacity such as The Ridge. Both a roundabout and the signalised junction fall within the original definition of the project which is “a single carriageway road link between the 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”.

6.5 The benefits of the connection are set out within the original Business Case and were assessed to deliver £65.5m of Transport Economic Efficiency Benefits, have a Benefit Cost Ratio of 2.70:1 based on the assessment of the roundabout undertaken for East Sussex County Council on the scheme and utilised in the Business Case. As the connections serve the same route and are designed to accommodate similar resilience the benefits of the two options are comparable, it should however be noted that the signalised junction, in addition to having been designed to accommodate traffic flows to a later year than has been modelled for the roundabout solution, would minimise cost and disruption to local businesses.

7 Next steps

- 7.1 It is recommended that a further full update on the Project be presented at the 25 November 2022 Board meeting confirming the outcome of the Whitworth Road TRO process, the outcome of the Stage 2 Road Safety Audit Addendum and whether the Section 278 Agreement is in place, along with clarity on the funding to be applied to the delivery of the Project.
- 7.2 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.

8 SELEP Comments

- 8.1 As the Board will recall, a full written update on project delivery was not provided at the last meeting. Instead, the Board were provided with a verbal update which outlined progress towards completion of the required TRO and Section 278 agreement, whilst the written report focused on the governance processes East Sussex County Council have in place to ensure that updates provided are robust and complete and to ensure that the Project is delivered in accordance with the agreed Business Case.
- 8.2 There was a clear requirement within the report considered at the last Board meeting for a full update on delivery of the Project, including consideration of key milestones, risks, budget and benefits, to be provided at this meeting. It has not been possible for East Sussex County Council to provide the comprehensive update sought due to ongoing discussions with Sea Change Sussex and uncertainty regarding the delivery programme due to ongoing engagement with National Highways.
- 8.3 Given that the Project is flagged as High risk, the inability to provide the comprehensive update requested does raise concerns regarding the ongoing deliverability of the Project and the timeline for delivery of the signalised connection with the A21. A full update will need to be provided to the November 2022 meeting to provide the Board with assurances that the remaining elements of the Project can be delivered and that there is funding available to support these works.
- 8.4 The last written update on the Project presented to the Board in May 2022 indicated that it was expected that the signalised (temporary) connection would be constructed and fully open by Autumn 2022, subject to completion of the required TRO.
- 8.5 Whilst the report does not include the usual table of milestones, there is an indication that completion of the Project may have been further delayed due to the

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requirement for a Stage 2 Road Safety Audit Addendum to be completed – a requirement which was not initially anticipated by either East Sussex County Council or Sea Change Sussex.

- 8.6 As detailed in the report, a brief for this work was approved by National Highways and East Sussex County Council on 26 August 2022 and it has now been commissioned by National Highways. It is expected that this process will take between 4 to 6 weeks, including responding to any further comments made.
- 8.7 There are still a number of outstanding approvals, TRO's and a Section 278 agreement which need to be secured or completed before the signalised connection can be constructed and/or before the new road can be fully opened to traffic. Any delays in completing any of these workstreams will have an impact on either the delivery programme or the opening date of the new connection. Progress towards realisation of these approvals will be monitored and updates will be provided at future meetings.
- 8.8 The report does not provide a detailed update on the total project cost and confirmed funding package as requested. In addition, the reference to the £2m funding contribution from Sea Change Sussex as 'temporary contingency funding' raises concerns as it was previously understood that the Sea Change Sussex funding was committed to the Project.
- 8.9 It is imperative that the update report to the Board in November 2022, provides greater assurance regarding the availability and commitment of this funding by Sea Change Sussex. If Sea Change Sussex are unable to commit this funding to the Project, an alternative approach to bridging any funding gap will need to be identified in the next report to the Board. If there is a funding gap which cannot be bridged meaning that the Project cannot be delivered in accordance with the Business Case, the Board will be asked to consider whether the £10m LGF should remain allocated to the Project.
- 8.10 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 of materials, high inflation levels and issues with labour supply. Therefore, the fact that procurement of a contractor to deliver the connection with the A21 still needs to be undertaken does raise a concern regarding the affordability of the Project. An update on the procurement of the contractor must be provided at the next meeting.
- 8.11 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.

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- 8.12 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 and are therefore considered to be indirect benefits of the Project.
- 8.13 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.
- 8.14 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.
- 8.15 It is noted that, due to the delays in completing the connection with the A21, the employment benefits will not be realised in accordance with the profile set out in the Project Business Case which indicated initial job creation in 2018/19.
- 8.16 Access to the employment land 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, and therefore it is not currently possible to give an indication as to when the expected new jobs will be created.
- 8.17 Whilst the Project was assessed as a transport scheme in the Economic Case within the original Business Case, the stated employment benefits remain important and therefore, it is required that further updates on the steps being taken to bring forward the commercial development on these sites and the expected timeline for realisation of the employment benefits be provided at future Board meetings. The completion of the signalised connection and the opening of the full length of the new road may increase the attractiveness of the available land.
- 8.18 Whilst it is acknowledged that the implementation of a signalised connection does not necessarily equate to a change in project scope compared to that set out in the approved Business Case, it is important that, given the time that has passed since the submission of the original Business Case (February 2015), that the benefits offered by the scheme are revisited and assurances provided that the Project continues to offer High value for money.

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- 8.19 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. Under the terms of the SLA, a back-to-back agreement should be in place between East Sussex County Council and Sea Change Sussex which would allow for the funding to be clawed back from Sea Change Sussex by East Sussex County Council if the Project cannot complete delivery.

9 Financial Implications (Accountable Body Comments)

- 9.1 There continues 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 slippage experienced to date.
- 9.2 Further slippage has been indicated since the last report, although an updated timeline has not been provided to give the expected assurances to the Board with respect to completion of the Project.
- 9.3 The update provided also indicates risk of increased costs to delivering the Signalised solution due to the known economic factors also identified elsewhere across the SELEP Capital Programme. The update indicates, however, that the costs are expected to fall within the remaining £2m budget for the signalised connection within the overall estimated £12m budget.
- 9.4 The update refers to the remaining £2m budget as temporary contingency funding. We are seeking urgent assurance from East Sussex County Council that this funding will be available to support the Project and that the use of the word 'temporary' does not indicate uncertainty with respect to the availability of this or any additional funding required to deliver the remaining section of the road.
- 9.5 All LGF was transferred to East Sussex County Council, as the Project's Lead Authority, under the terms of a Funding 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 available to support delivery of the Project is the responsibility of East Sussex County Council. The Board are advised to seek clarification from East Sussex County Council with respect to the funding position for the Project within the next update to the Board.
- 9.6 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.

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- 9.7 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 Funding Agreement (SLA). In these circumstances, the Board may consider recovering some, or all, of the £10m LGF allocated to the Project.
- 9.8 To monitor the on-going risks associated with this Project, the Board is advised to keep delivery progress under review and to take this into account with regard to any further decisions made in this respect. Further, ongoing effective monitoring of delivery and understanding of the risks along with proposed mitigations is essential for the Board, due to the current uncertain economic climate and increasing inflation, together with ongoing impacts experienced following the Covid-19 pandemic and Brexit.

10 Legal Implications (Accountable Body Comments)

- 10.1 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.

11 Equality and Diversity implications (Accountable Body Comments)

- 11.1 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:
- 11.1.1 Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
 - 11.1.2 Advance equality of opportunity between people who share a protected characteristic and those who do not;
 - 11.1.3 Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 11.3 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

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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.


12 List of Appendices

12.1 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)

Role	Date
Accountable Body sign off Stephanie Mitchener (On behalf of Nicole Wood, S151 Officer, Essex County Council)	15 th September 2022

Appendix A – LGF Project Background Information

<p>Name of Project</p>	<p>Queensway Gateway Road, Hastings East Sussex County Council</p>
<p>Local Growth Fund (LGF) allocation</p>	<p>£10,000,000 – initial award March 2015</p>
<p>Description of what Project delivers</p>	<p>The Queensway Gateway Road scheme comprises 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 and joins the A21 at a new junction north of the existing Sainsbury's store. Other roads shown include The Ridge West, Water Works, Depot, Superstore, Govt Offices, and various residential streets like Beauport Park Hotel, Riding Stables, and Caravan Parks.</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 the Ridge and Queensway. By relieving congestion, the Queensway Gateway Road will improve strategic connectivity in the Bexhill Hastings</p>

	<p>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"> • to support the development and employment potential of the Bexhill Hastings Growth Corridor; • 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 • to alleviate congestion at junctions to the A21 enabling Combe Valley Way to perform to its full potential as a driver of economic growth.
<p>Project benefits</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>Project constraints</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>Link to Project page on the</p>	<p>https://www.southeastlep.com/project/queensway-gateway-road/</p>

website with full Business Case and links to any previous decisions by Accountability Board and/or Strategic Board

Funding decision (note: original LGF allocation to the project was £15m):

<https://www.southeastlep.com/app/uploads/2018/06/Minutes-SELEP-Board-20th-March-2015-V3.pdf>

Project changes:

<https://www.southeastlep.com/app/uploads/2020/08/Accountability-Board-Summary-of-Decisions-23.02.18.pdf>