

Report to Accountability Board	Forward Plan reference number: FP/AB/134 FP/AB/135 FP/AB/136
Date of Accountability Board Meeting:	23 rd February 2018
Date of report:	12 th February 2018
Title of report:	Local Growth Fund Project Changes
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1. Purpose of report

- 1.1 The purpose of this report is to update the SELEP Accountability Board (the Board) on the delivery of specific Local Growth Fund (LGF) projects in East Sussex and to seek the Board's approval for changes to the LGF allocations between Growth Deal Projects in East Sussex.
- 1.2 The project and budget changes proposed within this report have been endorsed by Team East Sussex Federated Board at its meeting on 11th December 2017.

2. Recommendations

- 2.1 The Board is asked to:
 - 2.1.1 **Approve** the reallocation of £2m from Eastbourne and South Wealden Walking and Cycling to Eastbourne Town Centre Movement and Access Package (MAP)
 - 2.1.2 **Approve** the revised project scope for the Eastbourne Town Centre MAP
 - 2.1.3 **Approve** the reallocation of £2m from A22/A27 Junction Improvements to North Bexhill Access Road
 - 2.1.4 **Approve** the reallocation of £1m from A22/A27 Junction Improvements to Queensway Gateway Road
 - 2.1.5 **Approve** the reallocation of £3m from Hastings and Bexhill Movement and Access Package to Queensway Gateway Road

3. Context

- 3.1 Through the freedom and flexibilities which SELEP was awarded in the 2017/18 LGF Grant Award Letter, the Board has the flexibility to make changes to its Growth Deal programme. This includes the opportunity for the Board to make changes to project LGF allocations and to add or remove projects from SELEPs Growth Deal programme, subject to all LGF investments demonstrating value for money through the Independent Technical Evaluation (ITE) Business Case review process and supporting the delivery of the SELEP Strategic Economic Plan.
- 3.2 On the 22nd September 2017, the Board approved the process for managing project underspends and introducing new projects into the LGF programme. The intention of this process is to maximise the impact of LGF investment in delivering the outcomes stated in our Strategic Economic Plan and Growth Deal with Government.
- 3.3 The process also identifies the potential for the Board to re-allocate funding between LGF projects, subject to:
 - 3.3.1 Federated Board endorsement; and
 - 3.3.2 All LGF investment continuing to present high value for money through the Independent Technical Evaluator (ITE) review of project business cases.
- 3.4 Through the Board agreeing the recommendations of this report, the Board is prioritising the additional LGF allocations to three existing LGF projects (namely Eastbourne Town Centre Walking and Cycling, North Bexhill Access Road and Queensway Gateway) over the opportunity to spend these LGF allocations on new LGF projects which would increase the benefits achieved towards the delivery of SELEP's Strategic Economic Plan.
- 3.5 The Board are reminded that Service Level Agreements are in place between the SELEP Accountable Body and each Upper Tier Authority, through which each local partner agrees to meet any increases in the LGF projects total cost which are identified following approval of the LGF award to the project by the Board.
- 3.6 If the Board choose not to agree the recommendations of this report, East Sussex County Council are required to meet the cost of project overspends by alternative means, such as through their own capital investment in the projects. East Sussex County Council has confirmed that this is not a viable option.

4. Eastbourne Town Centre Movement and Access Package

- 4.1 In total, the Eastbourne Town Centre Movement and Access Package (MAP) is currently allocated a total of £6m LGF.
- 4.2 On the 8th April 2016, the Board approved the award of £3m to the Phase 1 of works on Eastbourne Town Centre. These works include improvements to Terminus Road/ Cornfield Road, including:
 - 4.2.1 Public realm measures;
 - 4.2.2 Bus and rail interchange; and
 - 4.2.3 Improved provision for pedestrian and cyclists in this corridor
- 4.3 The objective of the phase 1 works is to maximise the economic benefits achieved through the improvement and extension of the Arndale Shopping Centre, which is undergoing a multi- million pound private sector investment.
- 4.4 The extension of the Arndale Centre provides an opportunity to develop and deliver town centre improvements on Terminus Road and Cornfield Road to: enhance the attractiveness and quality of the pedestrian environment; to make it more accessible and welcoming; and to address the needs of bus operators.
- 4.5 Due to the independency of these town centre improvements with the development of the Arndale Centre, the phase 1 improvements need to be complete in time for the re-opening of the shopping centre at the end of 2018.
- 4.6 The ITE review of the Business Case for phase 1 of the Eastbourne Town Centre MAP project during 2015/16 demonstrated high value for money with medium to high certainty of achieving this; with a BCR value of 4.56:1.
- 4.7 Following public consultation on the original design it became clear that local bus service providers were not satisfied with the initial proposal to relocate the bus stops in Cornfield Road, due to the limited pedestrian space for access to the bus stops and for bus manoeuvring. This led to a redesign of the scheme and a broadening of the scope to include the relocation of the eastbound bus stops to Gildredge Road with the westbound stops remaining in Cornfield Road; to provide a safer alternative.

- 4.8 There have also been a number of public realm enhancements made to the original design, such as improved bus shelters, street furniture and way-finding. However, as a result of the changes to the design and due to project budget constraints it is proposed that the cycle improvements detailed in the Business Case should be postponed; to be brought forward at a later date should an appropriate funding source be identified.
- 4.9 The cycle improvements which were set out in the original Business Case included the provision of improved cycle parking, signage and routing to be introduced along Terminus Road, between Ashford Road and Cornfield Road, where cycling is currently prohibit.
- 4.10 Despite the proposal to remove the cycling improvements from the scope of the Eastbourne Town Centre MAP phase 1 project, the revision to the design of the bus/ rail interchange and the improved quality of the public realm works has increased the total project cost of the phase 1 works from £3m to £5m.
- 4.11 As such, East Sussex County Council seeks to re-allocate £2m from the Eastbourne and South Wealden Walking and Cycling Package to the Eastbourne Town Centre Package. This would reduce the funding allocation to the Walking and Cycling Package, but leave the remaining £3m allocation to the Eastbourne Town Centre MAP phase 2 available to complete the second phase of the project
- 4.12 The ITE has completed a further review of the value for money case for the Eastbourne Town Centre scheme. In light of the project cost increase and the reduction in project benefits due to the removing of the cycle improvements, the BCR value for the project has reduced. However the project continues to present high value for money, with a revised BCR value of 3.3:1.

5. Impact on the Eastbourne and South Wealden Walking and Cycling Package

- 5.1 The Eastbourne and South Wealden walking and cycling package is intended to deliver a number of routes and complementary measures that are interdependent and will support an expanding walking and cycling network.
- 5.2 The package focuses on enabling walking and cycling for short local journeys, or as part of longer journeys, between residential areas to key trip attractors in Eastbourne and Hailsham and the smaller settlements of Polegate, Willingdon and Stone Cross in the South Wealden area, along with linking to development sites identified in the respective adopted Local Plans coming forward in the near future.

- 5.3 The Eastbourne and South Wealden Walking and Cycling Package is currently allocated a total of £8.6m LGF, with £2.6m LGF having been approved by the Board to date towards the delivery of seven specific interventions. The detailed scope of the future phases of the project has yet to be determined.
- 5.4 Whilst the reallocation of £2m from the Eastbourne and South Wealden Walking and Cycling Package to the Eastbourne Town Centre Package will not affect the delivery of the first phase of the Eastbourne and South Wealden Walking and Cycling Project, it will reduce the funding available to support the future phases of this project.
- 5.5 As such, it is expected that the outputs and outcomes achieved through future phases of the Eastbourne and South Wealden Walking and Cycling Package will reduce as a result of the £2m reduction in the projects budget.
- 5.6 East Sussex County Council has, however, commissioned consultants to undertake a transport study of the town centre and wider area. This study has indicated that investment in the town centre through the Eastbourne Town Centre scheme, will achieve greater economic benefits than investment within the wider Eastbourne area, through the Eastbourne and Wealden Walking and Cycling Project. These findings have been used to inform the recommendation to the Board to re-allocate £2m from the Eastbourne and South Wealden Walking and Cycling Package rather than decreasing the LGF allocation to the remaining phases of the Eastbourne Town Centre project.

6. North Bexhill Access Road

- 6.1 The North Bexhill Access Road project is for the delivery of a 2.4km single carriageway road link between the A269 Ninfield Road and the Bexhill- Hastings Link Road.
- 6.2 The road forms part of the key infrastructure investment in the A21/A256 Hasting Bexhill Growth Corridor and serves a strategic purpose in linking Bexhill in the west and the A21 to the east of the designated growth corridor.
- 6.3 By relieving congestion on the A269 and improving traffic flows onto the Bexhill-Hastings Link Road, the North Bexhill Link Road will help distribute existing traffic flows and new traffic generation from proposed employment and housing developments in North Bexhill.
- 6.4 The project was originally allocated £7.6m through LGF Round 1. However during the early years of the programme, an additional £9m LGF was allocated to the project from the Queensway Gateway project, increasing the total LGF allocation to the project to £16.6m.
- 6.5 The project was approved by the Board in November 2015, as presenting high value for money with a medium to high certainty of achieving this, with a BCR value of 2.4:1.

- 6.6 The delivery of the North Bexhill Access Road project has been delivered in phases, with the construction of the initial section of road, between Bexhill- Hastings Link Road to the Road Bridge across the Combe Haven having now been completed.
- 6.7 Whilst the remaining phases of the project have experienced delays due to bad weather over the winter months which have slowed works on site and additional works being required to deliver the project, the project is due to complete in May 2018.
- 6.8 Additional costs have been incurred on the project due to:
- 6.8.1 The discovery of a large amount of illegally dumped asbestos which required removal;
 - 6.8.2 The diversion of utilities. The undergrounding of powerlines and the fibre optic cable have greatly exceeded initial expectations even with value engineering undertaken. Original budget cost estimates were provided by both UK Power Networks (UKPN) and BT Openreach to underground or divert existing lines along the alignment of the new road. When more detailed designs have been undertaken by the utility providers these costs have increased substantially. There have also been a number of unexpected private water and electricity feeds used by local farmers that the developer has had to divert or replace;
 - 6.8.3 The need to mitigate the impact of the road development on nearby residents, including additional noise bunds having been added to the design and the movement of earth material to new locations along the road where mitigation is required; and
 - 6.8.4 Extensive additional works having been included within the design to ensure a minimal impact on the local environment, and wildlife and their habitats. The additional cost incurred has meant that the development will meet the highest ecological standards, ensuring conservation of the local area and proliferation of local plant species.
- 6.9 The impact of these additional works has increased the total project cost by £2m.
- 6.10 As such, East Sussex County Council seeks to re-allocate £2m LGF from the A22/A27 Junction Improvements Scheme to the North Bexhill Access Road. This would increase the total LGF allocation to the North Bexhill Access Road project to £18.6m.
- 6.11 The ITE has completed a further review of the value for money case for the North Bexhill Access Road Project, in light of the £2m increase in the project cost.
- 6.12 The increase in costs has reduced the BCR value for the project from 2.4:1 to 2.1:1. As such, the project continues to present high value for money but is closer to the 2:1 threshold for high value for money. However, as the project is near completion, the level of risk associated with the delivery of the project has reduced and, as such,

there is high certainty of value for money being achieved through the delivery of the project.

7. Impact on the A22/A27 Junction Improvements Project

- 7.1 The A22/A27 Junction Improvements project was allocated £4m LGF through LGF Round 1, but has not drawn down any funding to date due to uncertainty around Highways England's investment proposal for the corridor.
- 7.2 Highways England has now confirmed its preferred option, for the delivery of a package of smaller scale interventions on the A27 East of Lewes, which will be funded from the £72m allocation of the Government's Road Investment Strategy (RIS) 2015 – 2020. As such, the full £4m LGF contribution is no longer required and it is proposed that a package of complementary measures will be delivered along the local road network, using £1m LGF.
- 7.3 Team East Sussex Federated Board has stated their strong preference for Highways England's offline dual carriageway option. However, in Highways England's view, the proposed range of smaller measures providing short to medium term improvements, gives the best value for money at this time.
- 7.4 The proposed reduction to the LGF investment in the A22/A27 Junction Improvements Project would enable the reallocation of £2m to the North Bexhill Access Road and £1m LGF to the Queensway Gateway Project, discussed in section 8 below.

8. Queensway Gateway

- 8.1 The Queensway Gateway 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.
- 8.2 The road will connect the Bexhill Hastings Link Road (BHLR) to the A21; redistributing traffic from the BHLR and The Ridge heading towards the A21 and providing access to designated employment development sites within the Bexhill Hastings Growth Corridor which would otherwise not be brought forward.
- 8.3 The new road allows land to be released around the road 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.
- 8.4 Whilst the Queensway Gateway project is currently allocated £6m, there have been cost increases to the Project due:

- 8.4.1 Project delays experienced through the planning process as a result of two applications for judicial view of the planning application;
 - 8.4.2 Challenging ground conditions during winter 2016/17, resulting in lost days during the land remedial works;
 - 8.4.3 The need to relocate Bartlett's SEAT car showroom; and
 - 8.4.4 The requirement for additional utility works to be undertaken.
- 8.5 The original project cost included the provision of a compensation cost for the relocation of Bartlett's SEAT car showroom at the eastern end of the proposed road alignment, based on the dealership being able to finance the bulk of their relocation costs. However, the dealership has not been able to secure the necessary funding to fully finance this move so additional funding has been required to enable this relocation.
- 8.6 However, the additional utility works have had the greatest impact on the project budget. The Southern Water strategic fresh water main that serves much of St Leonards runs across the site half way up the western hill where the construction of the embankment was due to take place.
- 8.7 In the original project budget forecast it was anticipated that the fresh water pipe would simply be diverted by Southern Water at minimal cost. However, upon further investigation due to the material make-up of the pipe, realignment was not possible and Southern Water insisted upon the inclusion of an accessible concrete archway under the embankment.
- 8.8 Whilst progress on the delivery of the project continues and is due to be completed in January 2019, to enable the completion of the project East Sussex County Council seeks an additional £4m LGF allocation, through the reallocation of £1m LGF from the A22/A27 Junction Improvements Project (set out in section 7 above) and £3m LGF from the Hastings and Bexhill Movement and Access Package.
- 8.9 In addition, Sea Change East Sussex, as project delivery partners, will be contributing up to £2m to support the completion of the project.
- 8.10 The original Business Case for the Queensway Gateway Road project was prepared based on a scheme cost of £15m, with a BCR value of 2.7:1. As such, whilst the project cost has escalated since the award of LGF in March 2015, the current total revised project cost of £12m is significantly below the original £15m estimate.
- 8.11 With the revised total project cost of £12m, the Queensway Gateway Road project therefore continues to present high value for money, with a BCR value of 3.4:1.

9. Impact on the Hasting and Bexhill Movement and Access Package

- 9.1 The Hastings and Bexhill Movement Access Package has been allocated a total of £12m LGF. A Business Case has been brought forward for the award of £9m LGF to the project and is considered for this funding award under Agenda Item 10.

- 9.2 Whilst the Business Case was originally developed for a £12m LGF allocation, a Quantified Risk Assessment has been completed for the project which has calculated a cost contingency for the project based on the key project risks. In doing so, this has reduced the risk cost included in the financial case for the project and indicated that the project can be delivered within the remaining £9m LGF budget.
- 9.3 If there is insufficient budget available to complete the full scope of works set out in the Business Case then the first measures to be removed from the scope of the project will be those measures which offer the lowest BCR value. These have been identified as the traffic management measures, including:
- 9.3.1 Variable message parking signs in Hastings;
 - 9.3.2 Improvements to pedestrian crossing on Dorset Road, Bexhill;
 - 9.3.3 Bethune Way/Elphinstone Road Junction Improvements, Hastings;
 - 9.3.4 Improvements to A269 Ninfield Road junction with Watermill Lane and Wrestwood Road, Bexhill;
 - 9.3.5 Battle Road pedestrian crossing; and
 - 9.3.6 Cooden Drive/ Westcourt Drive Traffic Signals
- 9.4 Any changes to the scope of the Hastings and Bexhill Movement and Access Package as a result of budget constraints, or any other reason, will be subject to a further decision from the Board.

10. Summary LGF Budget Impact

- 10.1 The overall impact of the proposed budget changes are summarised in Table 1 below. Appendix 2 sets out the revised LGF spend forecast for each of the projects' impacted by the proposed changes in this report.

Table 1 Summary of proposed changes to project LGF allocations

Project	Currently LGF budget	Proposed increase/ decrease in LGF budget	Updated LGF budget
Eastbourne Town Centre MAP	£6,000,000	£2,000,000	£8,000,000
Eastbourne and Wealden Walking and Cycling	£8,600,000	(£2,000,000)	£6,600,000
North Bexhill Access Road	£16,600,000	£2,000,000	£18,600,000
A22/A27 Junction Improvements	£4,000,000	(£3,000,000)	£1,000,000
Queensway Gateway Road	£6,000,000	£4,000,000	£10,000,000
Hastings and Bexhill MAP (to be approved)	£12,000,000	(£3,000,000)	£9,000,000

Total	£53,200,000	£0	£53,200,000
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11. Lessons Learnt

- 11.1 East Sussex has fed back on the lessons learnt through their experience of delivering the Eastbourne Town Centre MAP, North Bexhill Access Road and Queensway Gateway Projects to date. These 'lessons learnt' include the need for:
- 11.1.1 Sufficient provision of contingency when delivering dynamic construction projects.
 - 11.1.2 Greater scrutiny and involvement with project delivery, including representation on project boards and steering groups to ensure project management processes are robust and followed
 - 11.1.3 The development of an East Sussex County Council internal governance panel to monitor progress of schemes and provide additional programme technical support when required.
- 11.2 In addition SELEP has put more robust processes in place to help reduce the risk of project cost escalation above the forecast project cost. This includes:
- 11.2.1 The inclusion of an appropriate project contingency cost. For larger case project, with a value of over £5m there is a requirement for the project to provide a Quantified Risk Assessment, which is considered as part of the ITE Business Case review process prior to LGF award; and
 - 11.2.2 Additional 'Gates' have been introduced to the ITE Business Case review process for projects of high risk and/or high value (LGF allocation of over £8m). This ensures that the Board are aware of the total expected project cost, which is informed by detailed design work and has been informed by the construction contractor tender process, prior to the award of the final construction contract.

12. Financial Implications (Accountable Body Comments)

- 12.1 There is a net nil financial impact of the proposed LGF reallocations between the projects set out above, however, the impact of using LGF to meet increased project costs for no additional benefits by reducing the scope of alternative schemes, means that overall the anticipated value of the LGF programme is reduced.
- 12.2 Under the terms of the SLA in place with East Sussex County Council for delivery of the Local Growth Fund, project overspends are the responsibility for the Council to manage; where they are seeking to re-prioritise LGF to meet cost overruns, it is a requirement of the SELEP assurance framework that the proposal demonstrates best value for money overall.
- 12.3 East Sussex County Council have sought to meet the cost overruns through alternative funding sources, but where this has not been possible, as set out above, they have concluded that overall the best value for money option is to ensure completion of those scheme through reallocating funding from alternative, lower priority schemes.
- 12.4 Any funding agreed by Accountability Board is dependent on the Accountable Body receiving sufficient funding from HM Government; Funding allocations beyond 31st March 2018 have yet to be confirmed, however, funding for the Projects set out above is included in the indicative LGF programme allocations provided by HM Government for future years.
- 12.5 In considering approving the funding changes set out in this report, the Board should take into account the following:
 - 12.5.1 The significant amount of slippage within the overall programme previously reported to Accountability Board in December 2017, this is currently forecast to be £39m by the end of 2017/18; this presents a programme delivery risk due to the increased proportion of projects now due to be delivered in the final years of the programme; and it presents a reputational risk for SELEP regarding securing future funding from Government where demonstrable delivery of the LGF Programme is not as expected.
 - 12.5.2 There is a LGF funding profile risk in 2019/20; whilst there is sufficient funding for all LGF projects across the duration of the programme, in 2019/20 there is currently a funding gap of £11.5m; it is noted that this risk is being carefully monitored by the SELEP Capital Programme Manager with potential options for mitigation being considered.
- 12.6 It is recognised that there are inherent risks with the delivery of large projects such as those set out in this report; whilst efforts have been made to ensure that lessons are learnt from these projects, it is recommended that a greater focus is given to risk management and reporting across the entire LGF programme giving an opportunity for shared learning and continuous improvement in delivery.

13. Legal Implications (Accountable Body Comments)

13.1 There are no legal implications arising from this decision.

14. Staffing and other resource implications

14.1 None

15. Equality and Diversity implications

15.1 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:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

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

15.3 In the course of the development of the project business cases, 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.

16. List of Appendices

16.1 Appendix 1 Agenda Item 4 Report of the Independent Technical Evaluator

16.2 Appendix 2 – Updated Project Spend Forecast

17. List of Background Papers

17.1 Eastbourne Town Centre MAP Business Case

17.2 North Bexhill Access Road Business Case

17.3 Queensway Gateway Business Case

(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
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Accountable Body sign off	
Lorna Norris	14.02.2018
On behalf of Margaret Lee	