

Report to: Team East Sussex

Date: 11 December 2017

By: Project Manager – East Sussex Growth

Title: Local Growth Fund – Changes to funding allocations

Purpose: To seek approval, for the reallocation of funds within the East Sussex Local Growth Fund programme.

RECOMMENDATIONS: The Board is recommended to:

- (1) Approve the reallocation of an additional £6m of LGF to Sea Change Sussex, subject to the approval of the South East Local Enterprise Partnership's Accountability Board, to fund the completion of the North Bexhill Access Road and the Queensway Gateway Road; and**
- (2) Approve additional reallocation of sufficient LGF to Phase 1 of the Eastbourne Town Centre Movement and Access Package, subject to the approval of the South East Local Enterprise Partnership's Accountability Board, to fund the completion of the Terminus Road Improvements.**

1 Background Information

1.1 In March 2014, the South East Local Enterprise Partnership (SE LEP), which comprises businesses, local authorities and education leaders across East Sussex, Essex, Kent, Medway, Southend and Thurrock, submitted their proposals to Government for a Growth Deal to drive economic expansion in the area over the next 6 years up to 2021. Within this was a specific growth plan for East Sussex focussed around its three growth corridors – Newhaven, A22/A27 Eastbourne/South Wealden and the A21/A259 Bexhill/Hastings Growth Corridor.

1.2 The North Bexhill Access Road (NBAR) comprises a 2.4km single carriageway road link between the A269 and the Bexhill Hastings Link Road (BHLR) with a roundabout at each end and further central roundabout. The business case for £16.6m was approved by the South East LEP's Accountability Board on 13 November 2015. The road will unlock planned employment growth in North Bexhill identified under Policy BX3 of the 2006 Rother Local Plan with capacity for circa 38,000sqm of employment generating floorspace. The Access Road also provides the road infrastructure to unlock the proposed urban extension in North East Bexhill with potential to directly unlock land for approximately up to 780 new homes.

1.3 The Queensway Gateway Road (QGR) comprises a single carriageway road between the A21 Sedlescombe Road North and Queensway. The road will connect via a new roundabout with Queensway south of its junction with the Ridge West, crossing the Hollington Stream valley on an embankment and then utilising the existing alignment of Whitworth Road to join the A21 at a new roundabout north of the existing Sainsbury's store; Junction Road will be closed to traffic as part of the scheme. The Gateway Road includes a central roundabout to facilitate access to the employment sites allocated in the adopted Hastings Local Plan Planning Strategy to the north and south of the road. The business case for £15m was approved by the South East LEP's Accountability Board on 20 March 2015. Following a redesign of the scheme, the budget for the project was amended to £6m. The road will facilitate approximately 12,000sqm of employment space on these sites, creating around 900 jobs.

1.4 Phase 1 of the Eastbourne Town Centre Movement and Access Package (ETCMAP) is specifically focussed on the key town centre corridor of Terminus Road, Gildredge Road and Cornfield Road. This area includes a number of bus stops and retail frontages, and will complement the Arndale Centre extension to be completed late 2018, by supporting the towns move to providing a stronger image and identity as a major retail centre. The project includes bus stop relocation, new bus stops integrating with rail, footway widening, improved pedestrian crossing facilities, and upgrading of the public realm with new street furniture and bus shelters. This scheme has a £6.25m budget and is funded through a mixture of LGF (48%), developer contributions (4.8%), ESCC (40%) and Eastbourne Borough Council (7.2%).

2 Supporting Information

NBAR

2.1 NBAR and QGR are funded entirely through SE LEP Local Growth Fund contributions and are being delivered by Sea Change Sussex (SCS). SCS is a company limited by guarantee and is a key delivery partner for the County Council and other local partners. Hastings Borough Council, Rother District Council and the County Council collectively hold a 19.9% share of the company, the University of Brighton 30.1% and local businesses the remaining 50%. The County Council has appointed the Lead Cabinet Member for Economy as a Director of the Company. SCS is a not-for-profit economic development and regeneration

company, working to expand the area's economy and business community by working with the County Council and other key partners.

2.2 The works have proceeded largely on programme with completion of the road expected in the spring of 2018. However, the project has incurred some unexpected additional costs, which have meant that the original budget now requires supplementing.

2.3 Costs relating to the diversion of utilities, specifically 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 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. In August 2017, a large quantity of illegally dumped asbestos was discovered and the costs for removal have been significant.

2.4 To mitigate the impact of the road development on nearby residents, additional noise bunds have been included within the design. This has meant significant amounts of earth material have needed to be moved to new locations along the road where mitigation is required. Extensive additional works have also 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. ***It is now estimated that an additional budget of £2m is required to ensure the completion the road.***

QGR

2.5 This project experienced initial delays due to challenges in the planning process, including two applications for judicial review. To ensure that the project was delivered as early as possible and avoid further slippage CA Blackwells were commissioned to start land remediation work in December 2016, resulting in lost days and additional preliminary costs due to challenging winter ground conditions.

2.6 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. In the original budget forecast it was anticipated that this pipe would simply be diverted by Southern Water at minimal cost. However, due to the material makeup of the pipe and therefore the costs involved in realignment, Southern Water insisted upon the inclusion of an accessible concrete archway under the embankment. This has added significant time and cost to the construction of the embankment.

2.7 The relocation of Bartlett's SEAT has been identified as an additional cost risk. The original budget was based on the dealership being able to finance the bulk of their own relocation to the North Queensway Business Park with compensation made available to the land owners. The dealership has not been able to secure the necessary funding to fully finance this move so additional allocation is required within the budget to ensure a continuation of this business.

2.8 A recent tender exercise for the final phases of the work has returned estimates much higher than originally anticipated. Work is being undertaken with the contractor to minimise costs through improved programming and reducing the time on site. ***The combination of these factors has meant that an estimated additional £6m is required to ensure the completion of the road.***

ETCMAP

2.9 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. 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.

2.10 The delivery of this scheme is tied in with the works at the Arndale Centre and need to be complete in time for the re-opening of the shopping centre at the end of 2018. ***Pre-tender cost evaluations suggest that an additional £2m is required to ensure a sufficient budget is secured to complete the scheme within the timeframes***, however there will be greater clarity on final cost estimates when tenders are returned on 2 January 2018.

3 Proposed Recommendation

3.1 As part of the ongoing programme management process opportunities for efficiencies and value engineering have been identified in two other LGF funded projects. The Hastings and Bexhill Movement and Access Package (HBMAP) currently sits in the programme with a £12m allocation over the remaining 4 years of the programme. And in addition, the A22/A27 Junction Improvement (A27JI) has been allocated £4m over the financial years of 2019/20 and 2020/21.

3.2 The HBMAP was originally included in the programme as two separate £6m projects to address walking and cycling and junction improvements in the Hastings and Bexhill area. The rationale for combining the schemes was to deliver better value for money by adopting a joined up, strategic approach to development. Following the production of the full outline business case, which will be presented to the Accountability Board in February 2018, it has been determined that it is possible to achieve the stated outputs and outcomes for this scheme for only £9m.

3.3 In September 2017, Highways England announced a £72m package of interventions on the A27 east of Lewes and the junction with the A22. Incorporated into these proposals were a number of the interventions that were originally identified to be carried out under the A27JI. A number of elements under the original package will still be required and can be delivered for approximately £1m.

3.4 It is proposed that the £6m made available from the HBMAP and the A27JI be transferred to the NBAR and QGR budgets to partially cover the projected additional spend. The remaining £2m of the projected requirement for the NBAR and QGR projects will be covered by SCS using reserves held by them. The Funding of £2 million being contributed by SCS was its own income intended to fund housing infrastructure and the acquisition of Queensbury House to complete land assembly of Priory Quarter Phase 4 (PQP4) in Hastings central business district, with PQP4 contributing to the economic case for High Speed 1. SCS and Hastings Borough Council ask that TES give support to the application of any funding sources which become available and could replace the £2 million for its previously intended purpose.

3.5 Once the final tender is returned in January 2018 and the project budget is known, it is proposed that the additional requirement for the ETCMAP – Terminus Road Improvements be sourced from within the current LGF programme. The recommendation is that the required funds are re-allocated from the later years' allocation of the Eastbourne and South Wealden Movement and Access Package (E&SWMAP). The business case for the next phase of this scheme is currently under development and there is scope for efficiencies to be made within this scheme to retain the core outputs and outcomes pledged within the Growth Deal.

Table 1 – Current profile and allocations

Scheme Name	Start Date	End Date	LGF Spend Profile						
			2015/16 Actual Spend (£m)	2016/17 Actual Spend (£m)	2017/18 (£m)	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	Total (£m)
Queensway Gateway Road	2015/16	2017/18	1.419	1.121	3.46				6
North Bexhill Access Road	2015/16	2016/17	6.41	4.6	5.59				16.6
Hastings and Bexhill Movement and Access Package	2015/16	2020/21			1.352	3.648	3.5	3.5	12
Eastbourne and South Wealden LSTF walking & cycling package	2015/16	2020/21	0.6	0.37	1.63	1	2.5	2.5	8.6
Eastbourne town centre LSTF access & improvement package	2015/16	2020/21		0.55	2.45	0	1	2	6
A22/A27 Junction improvements	2016/17	2017/18					2	2	4
Total			8.429	6.641	14.482	4.648	9	10	53.2

Table 2 – Recommended Re-allocation

Scheme Name	Start Date	End Date	LGF Spend Profile						
			2015/16 Actual Spend (£m)	2016/17 Actual Spend (£m)	2017/18 (£m)	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	Total (£m)
Queensway Gateway Road	2015/16	2017/18	1.419	1.121	5	2.46			10
North Bexhill Access Road	2015/16	2016/17	6.41	4.6	5.59	2			18.6
Hastings and Bexhill Movement and Access Package	2015/16	2020/21			1.352	2	2.2	3.448	9
Eastbourne and South Wealden LSTF walking & cycling package	2015/16	2020/21	0.6	0.37	1.63	1	1.5	1.5	6.6*
Eastbourne town centre LSTF access & improvement package	2015/16	2020/21		0.55	0.505	3.945	1	2	8*
A22/A27 Junction improvements	2016/17	2017/18						1	1
Total			8.429	6.641	14.077	11.405	4.7	7.948	53.2

*based on the additional £2m requirement for ETCMAP prior to receipt of final tender costs

4 Conclusion

4.1 The North Bexhill Access Road and the Queensway Gateway Road are two of the major strategic Local Growth Fund Deal schemes to come forward in East Sussex and their delivery is key to unlocking employment space and create jobs in the A21/A259 Bexhill/Hastings growth corridor. Equally, the improvement of Terminus Road in Eastbourne Town Centre is critical to improving public transport, vehicular and non-motorised user access to and from the town centre. It is also a key improvement that complements the significant private sector investment in the Arndale Centre.

4.2 It is imperative that all three of these strategically important schemes are delivered and that sufficient budgets are made available for their completion. As part of the requirements under the SE LEP Accountability and Assurance Framework, Team East Sussex is therefore recommended to approve the reallocation of LGF monies as outlined in Table 2 above. This will then be subject to the approval of the East Sussex County Council Lead Member for Strategic Management and Economic Development (LM SMED), Cllr Keith Glazier at his meeting on 23 January 2018, and then final approval will be sought of the revised business cases by the SE LEP's Accountability Board at its meeting to be held on 23 February 2018.