

Subject:	Valley Gardens Phase 3 (Royal Pavilion to Seafront) – Approval of Business Case		
Date of Meeting:	27 November 2018		
Report of:	Executive Director - Economy Environment & Culture		
Contact Officer:	Name:	Oliver Spratley	Tel: 01273 290390
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Ward(s) affected:	St Peter's & North Laine, Queen's Park, Regency		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The council's adopted City Plan Part 1 [CPP1] (2016) identifies the Valley Gardens corridor as a Special Area (Policy SA3). Valley Gardens Phase 3 is also a Local Transport Plan [LTP4] project, planned to complete the final and southern-most section of a strategic sustainable transport corridor that will contribute towards the council's and city's economic growth, regeneration, planning, public realm and transport objectives.
- 1.2 In June 2018 this committee approved the Phase 3 project development and eight core design objectives, delivery programme, and authorised officers to undertake the development of a Business Case [BC] for Valley Gardens Phase 3. This BC to be prepared for submission to the Coast to Capital [C2C] Local Enterprise Partnership [LEP] for Local Growth Fund [LGF] funding, and for the BC to be reported back to this committee meeting.
- 1.3 This report sets out the BC within the Government's/HM Treasury's 'Five Case' (Strategic, Economic, Management, Commercial, & Financial) Business Case format, as required by the C2C LEP. Once approved, the BC is required to be submitted to the LEP Board for its formal consideration and decision which is now expected in December 2018. If agreed by the LEP, the council will then have access to £6.0 million of Local Growth Fund [LGF] which has been set aside for the scheme. A formal Funding Agreement [FA] between the council and LEP is also required to be completed, and a condition of the FA will be that the £6.0 million is completely drawn down by end of March 2021, as required by the LEP and the Department for Transport [DfT].

2. RECOMMENDATIONS:

- 2.1 That the Committee approves the draft Business Case for Valley Gardens Phase 3, as attached at Appendix 2.
- 2.2 That the Committee grants delegated authority to the Executive Director for Economy, Environment & Culture to:-
 - a) finalise and submit the Business Case for Valley Gardens Phase 3 to the Coast to Capital Local Enterprise Partnership Board; and
 - b) negotiate and sign the Business Case Funding Agreement, subject to the Local Enterprise Partnership Board's decision to approve the release of the Local Growth Fund allocation.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 In July 2014, the council approved the submission of the BC to the C2C LEP for Phases 1&2 of Valley Gardens [VG1&2]. The development of the BC for Phase 3 would be prepared for a future tranche of LEP/LGF funding. Later in 2014, the Government confirmed the £8.0m LGF funding for VG1&2 (the northern section) subject to the LEP's Local Transport Body approving the BC and, as part of the C2C's 2015/16-2020/21 Growth Deal. The Government also announced its intention to allocate an additional, provisional £6.0m in funding to enable Phase 3 to start. This was dependent on progressing Phases 1&2 and subject to production, submission and approval of a robust BC to the LEP. In October 2014, this committee agreed to the preparation of the Phase 3 BC, and this commitment was reaffirmed in June this year.
- 3.2 The BC is structured in accordance with the LEP's LGF Five Case (Strategic, Economic, Commercial, Financial, and Management) Business Case format. This quantifies and qualifies how the preferred design option for Phase 3 can help the area to fulfil its potential within the city centre. The project area includes inefficient and unattractive areas and experiences a high number of collisions (154) and casualties (193) between 2013 and 2017, and has also resulted in the area being underutilised, and perceived as a centre for crime and anti-social behaviour.
- 3.3 Following the principles established within Phases 1&2, which will help fulfil the CPP1 policy, and the objectives set out within the C2C's 2014 Strategic Economic Plan, Valley Gardens Phase 3 has the potential to bring city-wide benefits to the city by tackling severance and improving connectivity with the city centre and the seafront. To achieve this, the main components of the preferred option include a simpler road layout and the creation of new public spaces. The following paragraphs explain the content of the draft Five Case BC format for Phase 3, and Appendix 1 includes a summary of a number of the outputs from the BC for each case.

The Strategic Case

- 3.4 This case details how the scheme meets the key stakeholder requirements in policy and strategic terms and sets out why the scheme is needed to deliver a solution that remodels an existing inefficient land use and overly complex road layout; improves poor east-west and north south-connectivity; reduces high levels of congestion and collisions; improves the quality of public realm through place making; rebalances land values; and optimises and sustains economic performance.
- 3.5 There is strong, strategic alignment with a number of the council's and LEP's major policies. The importance of Valley Gardens as an area within which development should be focussed was clearly stated in the C2C LEP's 2014 Strategic Economic Plan [SEP]. It also acknowledges that the Valley Gardens project (all three phases) could help unlock housing development for 100 homes, deliver 9,000m² of employment floor space and create 1,179 new jobs. The LEP's new SEP, Gatwick 360 (2018-2030), published in July 2018, sets out eight key economic priorities which comprise its programme for growth. Valley Gardens Phase 3 directly supports Priority 1 of the SEP which is 'To deliver prosperous urban centres'. It also supports Priority 6 'Promote better transport and mobility'.
- 3.6 The project has also been assessed against the council's CPP1 Policy SA3 for Valley Gardens and the Local Transport Plan [LTP] objectives. The draft City Plan Part 2 [CPP2] was published for consultation in July 2018 and sets out the detailed development management policies for the city to support CPP1. It also identifies and allocates additional development sites and policies that are relevant to Valley Gardens.

The Economic Case

- 3.7 The Economic Case includes the options appraisal – which assessed four options - as reported to the October 2018 meeting of this committee. The economic case is further expanded within the BC's Financial Case. It outlines the economic benefits anticipated as a consequence of delivering the recommended option and demonstrates that the preferred option has the potential to result in a number of monetised benefits and costs for residents, visitors and local businesses, which are summarised in the table below and explained further in Appendices 1 and 2.
- 3.8 The preferred option is anticipated to deliver significant economic benefits resulting from reductions in the number of collisions and casualties; an increase in public space; walking and cycling benefits; increased land values; and through supporting the growth of the city's Knowledge Intensive Business Services [KIBS] sector.

- 3.9 Following its programmed completion in 2021, the preferred option for the scheme is expected to deliver economic benefits totalling a present value (discounted to 2010 prices) £7.810m over a 20-year period. Against a 2010 present value cost (2010 prices) of £6.609m, this equates to a Benefit Cost Ratio (BCR) of 1.2:1 which means that the scheme is expected to deliver £1.20 of benefits for every £1 spent on the project. The preferred option delivers the greatest net benefits of any of the four options and is the only option that would deliver a positive BCR.

Benefit/Cost	Estimated economic impacts over 20 years (except KIBS=10 years) (figures in £m)
Collision/casualty reduction benefits	£11.001
Active travel (walking and cycling) benefits	£1.495
Land value uplifts	£4.295
Public realm benefits	£1.893
KIBs sector benefits	£6.168
Journey time (dis)benefits	£-17.042
TOTAL	£7.810

- 3.10 This reflects the option's forecast effects on journey times, such as the increased and reduced journey times for drivers (general traffic) and bus passengers (in the two peak hours) which reflect the proposed changes to the local road layout for people and vehicles, such as the introduction of a safer, managed and controlled traffic signal junction at the A23/A259 Palace Pier junction. It also includes the proposed rebalancing of the area's division of space between different transport users.
- 3.11 The scheme's anticipated impact on journey times is dependent on the time of day and greater benefits are expected in the AM peak period when the current impact of congestion is highest. The casualty reduction benefits of the scheme are forecast to lead to significant safety improvements for the area, with an anticipated 44% reduction in the number of collisions/casualties over a 60-year period, as assessed using the recommended DfT COBALT (COst and Benefit to Accidents – Light Touch) computer programme. As the COBALT software only offers a 60-year forecast period, a conversion factor has been applied to show only the first 20 years of benefits from the COBALT assessment, for consistency with the other monetised impacts.
- 3.12 To minimise design risks and to ensure that the scheme integrates with other schemes, developments and priorities in the city, both proposed and those already underway (not least Phases 1&2 of the scheme), the preferred option will be subject to further design development which will include:
- Design of the proposed areas of public space to ensure these generate activity
 - Further consideration of the integration of Phase 3 with Phases 1&2
 - Refinement of cycle lane proposals to provide a facility which is as wide as possible and minimises conflict with pedestrians
 - Confirmation of bus stop and bus stand locations and space for waiting and alighting passengers

- Further investigation of car parking requirements and breakdown between different user groups.

The Commercial Case

- 3.13 The Commercial Case outlines, in accordance with the approach adopted for Phases 1&2, that procurement will be split into four key stages: preliminary design, detailed technical design, construction and operations. This case also outlines how social value will be supported by outcomes driven by two of the key design objectives for the scheme. These are to improve the public realm, and to provide an inclusive and accessible space.
- 3.14 Currently, the two main public spaces within the Phase 3 area are Steine Gardens, and the area north of the Palace Pier. In addition, the eastern gardens of the Royal Pavilion adjoin the scheme area. The scheme will enhance the quality and accessibility of these existing spaces, and also create new and accessible open spaces and green spaces for the whole community to enjoy - to the south-east of the Royal Pavilion Estate and to the north of the Royal Albion Hotel, for example. These spaces will provide more opportunity for hosting community and city-wide events in the area.
- 3.15 The scheme also aims to improve identifiable and perceived road safety problems. Furthermore, the council will also take account of social value when procuring and commissioning the future detailed design and construction works, as per the council's Social Value Framework. Both of these tenders will be required to consider social value and have at least one relevant social value outcome included. In turn, suppliers will be scored on how they will measure and verify the social value proposals they offer as part of their tender submissions.

The Financial Case

- 3.16 The Financial Case is set out in full in Section 5 of the BC in Appendix 2 of this report. The scheme has been costed and will be delivered in distinct sections. Financial sustainability will be assessed through the project's lifecycle using standard project governance principles, and at completion the scheme will transfer over to existing council revenue budgets, for management and maintenance requirements.
- 3.17 Following its programmed completion in 2021, the preferred option for the scheme is expected to deliver economic benefits totalling a present value (discounted to 2010 prices) £7.810m over a 20-year period. Against a 2010 present value cost (2010 prices) of £6.609m, this equates to a BCR of 1.2:1 which means that the scheme is expected to deliver £1.20 of benefits for every £1 spent on the project. The preferred option delivers the greatest net benefits of any of the four options and is the only option that would deliver a positive BCR.
- 3.18 This estimated BCR would rate the project in the 'low' value for money (VfM) category, as defined by the DfT. However, it is considered that within the Five Case BC format, the BCR and associated value for money most likely understate the economic benefit of the scheme. For example, the transport user benefits assessment for the LEP's LGF BC does not require the

quantification of the potential vehicle operating cost, air quality and noise benefits, which would be included in a DfT WebTAG (Web-based Transport Appraisal Guidance) approach. Similarly, the value of time has only been included for vehicles (as is standard practice) and understates the benefits to users of other forms of transport. Equally, evidence from other projects that combine movement, place and regeneration objectives, suggest that the place and regeneration impacts are relatively difficult to quantify and therefore the BCR analysis undertaken for this project may under-score their relative benefits. Phase 3 is part of the wider Valley Gardens scheme and therefore the benefits of this phase should not be considered in isolation, but also alongside the strong economic case for Phases 1&2 of the programme, which was based on the DfT's WebTAG approach.

- 3.19 Alongside the £6.0m worth of LGF, the council has also provisionally confirmed that a local financial contribution of approximately 20% of the total cost of the scheme will be allocated to the capital costs of the project, in order to comply with the original conditions required by the LEP when the LGF funding was first allocated as part of its Growth Deal. This will be factored into the council's Local Transport Plan.

The Management Case

- 3.20 The Management Case sets out the council's project governance structure for Phase 3 including project programme, project board and management, project assurance, roles and responsibilities, communications and stakeholder management. The project evaluation will be initiated at post-construction stage includes the Benefits Management Plan which will be finalised at a later stage.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Valley Gardens Phases 1&2 has interdependencies with Phase 3 in terms of the overall anticipated benefits to the city centre and therefore 'doing nothing' is not considered to be an option. The provision of funding for Phases 1&2 is predicated on the delivery of all three phases of the Valley Gardens project.
- 4.2 The results of the Phase 3 project options appraisal were reported to this committee on 9 October 2018. The options appraisal study methodology enabled a significant number of alternative possible options to be identified and assessed using three main evaluation processes. Firstly, an evaluation, using the approved Core Design Objectives; secondly, a traffic modelling assessment using the council's city centre model; and thirdly, a cost estimate comparison to ensure that the options are within the tolerance range of the current budget (£7.25m-£7.84m)

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The preferred option in the business case has been informed by the results of the public survey undertaken earlier in 2018 which were reported to this committee in June 2018. As set out in the project programme agreed in June this year, and as agreed by this committee on 9 October, a second stage of

public consultation commenced on 15 October, which sought to gather ideas and opinion on developing the single recommended option. The feedback from this consultation will, where there is scope to do so, be used to update and revise the preferred option in order to finalise a preliminary design before it is reported back to this committee on 22 January 2019.

- 5.2 Officers have ensured that the LEP have remained informed of the BC's development and progress and provided it with an early draft on request in order to ensure that it will provide sufficiently robust technical information that will satisfy the LEP's requirements and enable it to make an informed decision about the project and its funding.
- 5.3 Since the last officer report about this project was considered by this committee, some further engagement on the design has also been undertaken and feedback received. This includes an Equalities design workshop and D:SE (Design South East) Design Review Panel Oct 2018 which both unanimously agreed that the recommended option, as assessed within the BC, represents the best option through which to meet the project's eight Core Design Objectives, and key stakeholder policy/requirements. Workshops have also been undertaken with other key stakeholders such as bus and taxi operators and representatives of road user groups.

6. CONCLUSION

- 6.1 In overall terms, the BC for Valley Gardens Phase 3 is based on the preliminary design for the preferred option which is being consulted on and is considered to be sufficiently robust to enable the LEP to make a positive funding decision later this year. The Strategic Case fully demonstrates the scheme's alignment to all of the key stakeholders strategic planning, aims and objectives. The 1.2:1 BCR calculated as part of the Economic Case includes a combination of a number of costs and benefits, including those for transport users. However, the delivery of all three phases of Valley Gardens indicate that an overall, very high BCR return for the total LEP LGF investment and council funding contribution is achievable.

7. FINANCIAL & OTHER IMPLICATIONS:

- 7.1 The current total budget expected to be available for the project to the end of 2020/21 is £7.25m. This is comprised of £6.0m Local Growth Funding grant (subject to the C2C LEP's funding decision expected in December 2018) and a committed local contribution of £1.25m from the Council's Capital Investment Programme. Detailed costs are presented in the Financial Case (Section 5) of Appendix 2. The cost estimate is currently between £7.250m and £7.840m will be revised following the finalisation of the preliminary design to be reported back to this committee in January 2019. The cost estimate will be subject to value engineering and a review of all costs.
- 7.2 The council's approved, 2018/19 Local Transport Plan [LTP] Capital Programme for Preliminary design is sufficient to cover the cost of this requested continued project investment. This was agreed by the Policy, Resources & Growth Committee on 20 March 2018. The Local Transport

Plan will need to identify resources to support the project through to 2020/21 and further updates of the Local Transport Plans will be presented to Policy, Resources & Growth Committees in this financial year and future financial years following the review of the current cost estimate. The Government have announced indicative allocations up to 2020/21 of capital grants for Integrated Transport Block and Highways Maintenance Block which support the council's Local Transport Plan.

7.3 The BC in Appendix 2 has been developed using the C2C LEP LGF project template. This BC addresses the strategic aims of the C2C's SEP, and its emerging Local Industrial Strategy. The conditions of the LGF grant stipulate that the funding must be fully drawn down and works completed across all Phases (1&2, and 3) by the end of March 2021. This will be outlined fully, subject to the Funding Agreement between the LEP and the council for Phase 3.

7.4 The future maintenance of the highways infrastructure resulting from Valley Gardens Phase 3 will be met from existing highways revenue budgets.

Finance Officer consulted: Rob Allen

Date: 15/11/2018

Legal Implications:

7.5 The proposed Phase 3 project will be planned and constructed within the existing highway boundary and within land owned by the council. The council's Planning Group will be consulted to determine if planning applications are required. A Design & Access Statement is being produced to support any consequential planning permission requirements should they arise during the next stage of the project through a Feasibility Study and design development work.

7.6 If the LEP approves the LGF allocation of £6.0 million at its December 2018 LEP Board, the council and the LEP will enter into the Business Case Funding Agreement. The council will comply with its Contract Standing Orders and its obligations under the European public procurement regime when it procures consultants and contractors to undertake work on Phase 3.

Lawyer consulted: Elizabeth Culbert

Date: 06/11/2018

Equalities Implications:

7.7 There are no direct sustainability implications associated with the approval and submission of the BC for this project. However, the project will be supported by an Equalities Impact Assessment.

Sustainability Implications:

7.8 There are no direct sustainability implications associated with the approval and submission of the BC for this project. The scheme is being developed to deliver a sustainable transport corridor.

Other Significant Implications:

Crime & Disorder Implications:

- 7.9 The BC addresses issues of personal security and outlines how the benefits of the creation of new public space and the enhancement of the existing green space at the Old Steine will be achieved.

Risk and Opportunity Management Implications:

- 7.10 A risk register is maintained for the project and will be formally appended to the submitted BC, as required by the LEP.

Public Health Implications:

- 7.11 There are no direct public health implications associated with the approval and submission of the BC for this project. However, the BC includes expected, calculated active travel benefits, and noise and air quality data will be part of the project's evidence base for monitoring outcomes.

SUPPORTING DOCUMENTATION

Appendices:

1. Summary of Business Case outputs
2. Draft Local Growth Fund Business Case: Valley Gardens Phase 3

Documents in Members' Rooms

1. None.

Background Documents

1. Local Transport Plan [LTP4] (2015)
2. City Plan Part 1 (2016)
3. C2C LEP's SEPs (2014 and 2018)
4. Valley Gardens Concept Design (2013)
5. Business Case for Valley Gardens Phases 1&2 (July 2014)
6. Approved Scheme for Valley Gardens Phases 1&2
7. Report to June 2018 ETS Committee - Agenda item 7: *Valley Gardens Phase 3*
8. Valley Gardens Phase 3 - Stage 1 Report : *Preliminary Design Approach* (August 2018)
9. Valley Gardens Phase 3 - Stage 2 Report : *Options Development and Assessment Summary* (Technical Note, Aug 2018)
10. Report to October 2018 ETS Committee – Agenda item 29: *Valley Gardens Phase 3 – (Royal Pavilion to Seafront) Approval of preferred option for consultation and further development*

