

Brighton & Hove City Council

Strategy, Finance & City Regeneration (SFCR) Committee

Agenda Item 13

Subject: Kingsway to the Sea

Date of meeting: 22 June 2023

Report of: Executive Director Economy, Environment and Culture

Contact Officer: Name: Vicki Linton-Crook
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Ward(s) affected: Wish, Westbourne and Poets Corner

For general release

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the submission of this report was delayed as the latest construction costs required adjudication before publication.

1. Purpose of the report and policy context

- 1.1 In July 2022, the Policy and Resources Committee approved a total budget of £12.99m for the Kingsway to the Sea project and authorised the Executive Director for Economy, Environment & Culture to procure and award the contracts necessary to deliver this project. The committee also authorised the Executive Director to enter into any legal agreements required to facilitate the works using the City Build Strategic Construction Partnership Framework.
- 1.2 The timeline for this project currently remains constrained by the requirement to spend £9.5m of the Government's Levelling Up Fund (LUF) by 31st March 2024.
- 1.3 This report sets out the status of the project which is under significant financial strain as a result of construction inflation beyond the control of the local authority. The recommendation is to deliver the project within its current budget, which requires a reduction in the scope originally covered by the Kingsway to the Sea initiative.
- 1.4 The project is currently on-hold subject to the agreement from this committee to proceed on the basis of the budget described in paragraph 3.8 and the reduced scope described in paragraph 3.13.
- 1.5 The submission of this report was delayed as latest construction costs required adjudication before publication.

2. Recommendations

That the Committee:

- 2.1 Approves the reduction in scope of the project to fit within the total budget outlined in paragraph 3.8 below and delegates authority to the Executive Director for Economy, Environment & Culture to take all steps necessary to re-commence the project.
- 2.2 Agrees that the total project budget has increased to £13.76m as set out in paragraph 3.8 below. Also agrees that there is a further opportunity to return to this committee in July 2023 if additional funding becomes available to deliver an increased scope.
- 2.3 Agrees that paragraph 3.13 is an indicative schedule of omissions from the project and that some items may be changed or substituted to reach the target budget figure.
- 2.4 Notes the target completion of the Levelling Up Fund spend by the 31st March 2024.
- 2.5 Notes that receipt of next and future payments from the Levelling up Fund is subject to their acceptance of a change request detailing the proposed omissions. A further report may be required to this Committee depending on the view from Government.

3. Context and background information

- 3.1 The Kingsway to the Sea site includes the land to the west of the King Alfred Leisure Centre and to the east of Hove Lagoon. The esplanade, chalets, and beach huts to the south and the cycle lane and pavement to the north are excluded. The project aims to transform this substantial area of public land by providing facilities in line with current and future community expectations. The key elements of the project are:
 - Accessible and biodiverse green spaces across a linear park
 - A new building incorporating bowls clubhouse, public café with terrace, public toilets and changing facilities.
 - Tennis and padel tennis courts.
 - Bowls, croquet and sand sports areas.
 - Skatepark, pump track and roller area.
 - Improved events space.
- 3.2 On 7 December 2022, the project was approved by the Planning Committee.
- 3.3 On 19 January 2023 the Policy & Resources Committee approved the scheme's framework to operate the pay-for-use sports facilities and outdoor sports hub public café under lease arrangements, offered to the market via an expressions-of-interest process.
- 3.4 On-site enabling works to prepare the area for the new Outdoor Sports Hub building have been completed. The main construction phase was due to commence in May 2023.

- 3.5 Recently returned contractor tender prices are significantly over the £12.7m budget allowed for construction, which created an estimated funding gap of £3.924m to deliver the project in full.
- 3.6 To continue to progress the project, officers, Construction Partners, the Design Team, and specialist consultants have undertaken repeated value engineering exercises and exhausted options to reduce costs but retain features of greater value, reducing the funding gap to £2.22m. However, sourcing this funding has not been possible in the time available. Examples of adaptations already made to reduce the cost include:
- Identification of key facilities and reassessment of the budget allocation for features that can be reduced or removed.
 - Reduction in the site area in the west of Hove Lagoon.
 - Reduction in the size of the outdoor sports hub.
 - Proposed re-use of sport courts sub-bases.
 - Re-use of demolition materials.
 - Review of groundwork requirements which is a major spend area to ensure any efficiencies are realised.
- 3.7 The designs and scope of work are continually under review to assess if further omissions are needed for the project to be delivered within the £12.7m designated construction budget.

Project funding

- 3.8 The current project budget consists of a mix of funds as detailed in table 1 below. The budget has been supplemented by an additional £0.7m from the council's Carbon Neutral Fund to support biodiversity. The Levelling Up Fund also provided an additional £0.07m for resource capacity. As outlined in the table below, the total project value has risen by £0.77m to £13.76m. The construction budget within this is £12.7m.

Table 1: Project Funding Breakdown as at June 2023

Contribution	Reported to Committee at July 2022	Subsequent Additions	Current Budget
Section 106	£1,191,000		£1,191,000
BHCC borrowing	£2,000,000		£2,000,000
BHCC toilet contributions	£300,000		£300,000
BHCC Carbon Neutral Fund		£700,000	£700,000
Levelling Up Fund	£9,500,000	£70,000	£9,570,000
Total Budget	£12,991,000	£770,000	£13,761,000

- 3.9 If the scheme is to be delivered within the budget above, key facilities will be removed from the project. The scheme will still aim to deliver major facilities which will make improvements to the seafront and support the long-term maintenance requirements of the park. It will be the aim to add further facilities over time when the financial outlook is more stable.

- 3.10 The Council's KTTS project team has met with the Government's Levelling Up Fund department to request additional funding, but it has been confirmed that this is not available. Other funding sources have also been explored but the project is not eligible.
- 3.11 The Government's Levelling Up Fund department have indicated that an extension to the spend deadline may be acceptable on submission of a change request which must include the updated project scope, an indication of continued MP support and an analysis of the new Value for Money & Benefit-Cost Ratio of the project.

Why have costs increased?

- 3.12 Construction costs nationally have increased significantly since inception of the project. The council has seen increased sub-contractor costs on all construction projects due to the lack of availability of goods and labour. Allowances for inflation were factored into early cost plans based on industry market rates, however the scale of construction inflation experienced now is unprecedented and beyond the early budget expectations.

Project status to deliver within budget.

- 3.13 To deliver the project within the construction budget the features below are currently expected to be cut from the project.

Project cost before omissions	£16.62m
Current approved construction budget	£12.7m
Savings from the omissions	£4.124m
Actual costs received from the market (Including all omissions below)	£12.5m
Funding surplus +£200,000 which allows for unforeseen risks and changes.	

Table 2 below outlines the facilities in the park that need to be omitted to remain within budget and the impact of their omission from the project.

Table 2: Facilities in the project to be omitted.

	Facility Omissions	Impact
1	Event Space next to the King Alfred (one electrical point for power remains)	Remains as current
2	Sunken Garden (Rockwater adjacent)	Remains as current
3	Hove Lagoon stairs (the proposed new ramp remains)	Accessibility is maintained for access to toilets and other amenities
4	Provision for Art	Excluded
5	One 'Changing Places' facility. No public lockers at the Outdoor Sports Hub	A 'Changing Places' facility will be available at the Outdoor Sports Hub or Hove Lagoon. A facility is already available at Rockwater. Maintenance and supervision

		requirements are reduced as lockers are excluded.
6	Current Accessible toilet at Western Esplanade not demolished	Minimal reduction in access between park and seafront. This toilet will close when the new toilets are opened.
7	Reduction in planting	Changes to plant types which remove more costly plants whilst maintaining Biodiversity Net Gain (BNG) target and carbon neutral funding
8	Changes to secondary path widths and surfaces. Removal of some secondary paths	Path colour is darker and less attractive in appearance, also absorbs heat. Access is maintained
9	Removal of all park amenity lighting	Pathways remain unlit
10	Removal of sports lighting	Ability for sports areas to operate outside daylight hours
11	Removal of ducting for electricity cabling	Limits ability to future-proof and provide power to facilities in the future
12	Sand sports area	Facilities available elsewhere. Potential for operator to build at their cost but rental income to council would be reduced.
13	Change from turf to seed for meadows areas and lawns	Requires protection and longer period for establishment. Disruption to opening of the park areas
14	External furniture reduced to a minimum.	Limited opportunities for the public to enjoy the park for relaxation. No heritage enhancement to southern wall
15	Removal of children's play/slide, scramble features and play structure	Limits opportunities for all ages to enjoy the park
16	Irrigation points reduced to a minimum	Inefficient maintenance of the landscape and potential increase for future maintenance costs
17	No resurfacing of existing North to South pathways	Finish and appearance of the path will be affected
18	Outdoor Sports Hub terrace flooring to be installed by the new tenant	Increased fit out costs for future tenant, reduces interest/viability from smaller operators

3.14 The ongoing design and value engineering strategy will continue to assess the features that can be amended to achieve the greatest cost reduction whilst providing added value to the community. The table above is an indicative schedule of omissions, some items may be changed or substituted to reach the final target budget. Consideration is also paramount to protect the income streams which provide long-term financial sustainability and ongoing maintenance of the park facilities.

Programme timeline

- 3.15 The original construction programme followed a phased approach with the intention of enabling existing sports facilities and amenities to be used during the peak season, balanced with construction requirements, and cost efficiencies. Given the delay to agree the final cost plan and commence construction, the timeline will be reviewed.
- 3.16 The construction programme must commence as quickly as possible starting with the build of the Outdoor Sports Hub. This has the longest build timeline and is therefore on the critical path to ensure that the Levelling Up Funds are spent by the current 31 March 2024 deadline.
- 3.17 The construction site has been established and with weekly costs it is vital that there are no further delays.

4. Analysis and consideration of alternative options

Project status with limited omissions

- 4.1 The project could be delivered with the retention of new sports facilities and limited omissions with the additional funding of £2.22m. However, this option has currently been rejected as the council has already contributed £3m in total as outlined in Table 1 above.

Current approved construction budget	£12.7m
Actual costs received from the market	£16.62m
Savings from the omissions below	£1.704m
New project costs following omissions	£14.92m
Remaining funding gap	£2.22m

Table 3 below outlines the facilities that would be of highest value to retain within the scheme if funds were to be made available.

Table 3: Omissions which would be retained if funds become available.

	Retained Facilities	Impact
1	Park amenity lighting	Provides a more safe and secure environment after dark and particularly in winter
2	Sports lighting for the wheeled sports, padel tennis, tennis and sand sports areas.	Sports areas are able to operate outside daylight hours
3	Ducting for electricity cabling	Enables the provision of power and data to facilities within the park in the future
4	Sand sports area	Provides a new and designated area for a sport requested by the community. Protects income for future park maintenance.
5	Turf is utilised where possible, the use of seed for meadows-areas and lawns is reduced	Areas will be established sooner and usable at an earlier stage. The need to protect areas is reduced.

6	External furniture within the park areas	Regular and varied seating to enjoy rest and relaxation.
7	Children's play slide and scramble features	Promotes outside play and interest for younger visitors
8	Irrigation points across the park	Ensures efficient watering to establish and maintain new and existing plants
9	Resurfacing of the existing North to South pathways	All paths are finished with the same surface, providing consistently smooth paths with an attractive appearance

5. Community engagement and consultation

- 5.1 Consultation about the improvements to the West Hove seafront have continued with monthly meetings with the West Hove Seafront Action Group (WHSAG) which contains representation from 15 separate local community stakeholders including representatives from resident associations, businesses, clubs, voluntary organisations, and Ward Councillors.
- 5.2 In addition, officers and the design team continue to meet with stakeholders including the Hove and Kingsway Bowling Club, Friends of Hove Lagoon, the King Alfred Tennis Club, the Hove Beach Croquet Club and sand and wheeled sports representatives. Local businesses have also been consulted. This engagement will continue during the final design stages and construction of the park.
- 5.3 Regular communications about the project have been made in print, via news stories and social media. A video featuring a site fly-through, and stakeholder commentary aims to inform the public about the new facilities and was used to promote the Planning consultation process. Generic videos and on-site information boards will continue to be used to update on the project progresses.

6. Conclusion

- 6.1 The funds available through the Levelling Up Fund enables the transformation of West Hove seafront for sport and leisure uses which will benefit the local community, attract visitors, and support local businesses. The project should continue to progress and deliver as many facilities as possible within the budget available to enable rejuvenation of the public realm for the community whilst protecting revenue generation to support the maintenance of the park in the future.
- 6.2 The current priority is to reach an agreed price with the contractor for a reduced scheme and move into the construction phase as soon as possible, following agreement from Government funders. The council can then consider whether to contribute a further £2.22m of funding to secure some of the facilities within the park.

- 6.3 The Government's Levelling Up Fund must approve the proposed omissions as detailed in a change request. This could present a risk to the funding if the project deviates too far away from the original application for which the funding was awarded.
- 6.4 The £9.5m secured from Government currently remains within a tight timescale for expenditure. Approval to extend this deadline can be made to the Levelling up Fund once the scope of the project is confirmed. A decision on the route forward is critical to enable works to proceed and complete in 2024 and limit the current expenditure onsite.
- 6.5 The West Hove Seafront Action Group will continue to be consulted as the major stakeholder group throughout the development of detailed designs preconstruction and construction.

7. Financial implications

- 7.1 Policy & Resources Committee approved an overall budget of £12.99m to deliver the project, funded from a combination of grant through the Levelling Up Fund, S106 resources and council borrowing as detailed in paragraph 3.8. This has been supplemented by an allocation of £0.700m from the Carbon Neutral Fund and a further £0.070m LUF capacity resources giving an overall budget of £13.760m.
- 7.2 The proposed reduction in the scope of the project will support the delivery of the project within budget. However, the LUF will only confirm acceptance of changes and any request to extend the deadline to spend the funds once a change request is submitted and therefore the main funding source could be at risk. To date the council has spent £1.666m on design, surveys, consultation, planning permission and enabling works, utilising funds advanced from the LUF grant. If the scheme does not progress, this investment will be lost and there is a low risk the LUF could look to recover part or all of funds advanced.
- 7.3 The council will not commit to the scheme until confirmation is received that LUF accept the reduced scope and extended deadline to avoid any further financial risk to the council and to manage within the agreed resources.

Finance Officer Consulted James Hengeveld Date: 08/06/23

8. Legal implications

- 8.1 The Council is required to comply with the Public Contracts Regulations 2015 in relation to the procurement and award of contracts above the relevant financial thresholds for services, supplies and works. Using a Framework such as the City Build Strategic Construction Partnership is a compliant route to market.

Lawyer consulted: Wendy McRae-Smith Date: 9/06/23

9. Equalities implications

- 9.1 A formal Equalities Impact Assessment is being undertaken for the whole design and operation of the scheme. This will be undertaken when the design and construction budget is finalised.

Background Documents

[Policy and Resources Committee Kingsway to the sea Report 7 July 2022](#)

[Policy and Resources Committee Kingsway to the sea Report 19 January 2023](#)