

Coast to Capital Local Enterprise Partnership

# Valley Gardens Phase 3

Independent Assessment Report

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## Executive Summary

Brighton and Hove City Council (BHCC) has put forward a business case for the design and construction of a simplified road layout, cycle route and public realm improvements in the southern section of the Valley Gardens area (Phase 3) in Brighton. They expect this scheme to deliver significant economic and regeneration benefits to the area, in conjunction with Phases 1 & 2 of the scheme.

The estimated total cost of the Valley Gardens Phase 3 scheme is £7.84 million, of which the funding requested from C2C LEP under the LGF is £6 million. The applicant's share of the total capital costs (£1.84 million) is 23% of the total, which meets C2C's requirement of at least 15% matched funding for transport projects.

According to the C2C LEP Strategic Economic Plan (SEP) 2014, the Valley Gardens project (all three phases) would unlock housing development for 100 homes, deliver 9,000m<sup>2</sup> of employment floorspace and create 1,179 new jobs. No separate estimates have been provided of the total number of jobs that will be created by Phase 3.

The main economic benefit from the scheme will be a reduction in accidents and collisions, valued at £11 million. Based on the cost benefit analysis, a BCR of 1.2 has been estimated. This BCR places the scheme within the DfT's 'Low' value for money category. It is however likely that the scheme will deliver other benefits that have not been monetised for this business case. These include vehicle operating cost savings, air quality improvements and noise reduction benefits.

The environmental and social impacts of the schemes are positive and considered reasonable.

None of the risks have been identified as 'High', i.e. requiring immediate action. The most significant risk to the project is not securing funding from C2C. No alternative sources of funding have been identified, and hence the project will not be able to proceed. This will mean that the full benefits of the entire Valley Gardens scheme (all 3 phases) will not be realised.

The business case for Valley Gardens Phases 1 & 2 estimated that the schemes will deliver total economic benefits of £38.787 million, and a BCR of 4.148. Though not explicitly stated in the Phases 1 & 2 business case, for the full benefits of the entire Valley Gardens scheme to be realised, it is essential that all 3 phases are funded and completed. C2C LEP has already funded Phases 1 & 2, and not providing funding for Phase 3 will mean that the scheme will remain incomplete and that the entire benefits will not be realised.

The reviewer considers that the business case is robust and fit for purpose for a £7.84 million scheme, and that the project will provide economic benefits and with relatively low risks. As such, the reviewer recommends that the requested LEP funding of £6 million is approved for the Valley Gardens Phase 3 project.

## 1. Scheme Description

Brighton and Hove City Council (BHCC) has put forward a business case for the design and construction of a simplified road layout, cycle route and public realm improvements in the southern section of the Valley Gardens area (Phase 3) in Brighton. They expect this scheme to deliver significant economic and regeneration benefits to the area, in conjunction with Phases 1 & 2 of the scheme.

Valley Gardens is located at the centre of Brighton and is seen as the cultural and tourist hub of the city. In 2015 BHCC was successfully awarded £8 million in Local Growth Fund (LGF) funding by Coast to Capital (C2C) Local Enterprise Partnership (LEP) towards Phases 1 & 2 of the Valley Gardens scheme. Phases 1 & 2 covered the area north of Edward Street and encompasses the area adjacent to St Peter's Church and Victoria Gardens.

BHCC are now seeking funding for Phase 3 of the project, covering the Old Steine and the A23/259 junction / Brighton Palace Pier roundabout ("pier roundabout"). Phase 3 adjoins some of the city's key historic landmarks including the Royal Pavilion and Brighton Palace Pier. Phase 3 is expected to compliment the works already undertaken under Phase 1 & 2, and the scheme as a whole is expected to deliver city-wide benefits.

While numerous options were considered the scheme, the Council's preferred option for Phase 3 comprises of the following elements:

- A simpler road layout with all general traffic on the east of Steine Gardens;
- Improved crossing alignment for pedestrians;
- Better connections to the Lanes and St James's Street;
- Creation of a new 350 metre two-way, segregated cycle track;
- Creation of new public and event spaces in front of the Royal Pavilion Estate and Royal Albion Hotel;
- All existing green space and trees retained; and
- Planting of up to 30 new trees.

The £7.84 million scheme is expected to deliver the following benefits to residents, businesses, and visitors.

- Enhanced environment and improved north-south and east-west connectivity for pedestrians, due to widened footways and more direct crossings at the seafront which better service desire lines;
- Enhanced environment and improved north-south connectivity for cyclists, with a continuous cycle lane linking the seafront with the facility already planned as part of Phases 1 & 2;
- Smoother flows for bus traffic and passengers, removing the current bottleneck to the east of the war memorial and with a more efficient distribution of bus stops;
- Enhancement of a central civic space at the Old Steine, easily accessible to all users;
- The creation of new and extended public spaces, particularly to the south-east of the Royal Pavilion, increasing the opportunity for community, charity and commercial events; and
- Improved road safety, with anticipated collision and casualty reductions.

This review was based on the following information and documentation provided by C2C and BHCC.

- Valley Gardens Phase 3 Business Case;
- Appendices to the business case document; and

- Specific questions and comments were put to BHCC, for which answers were provided and discussed over the phone.

## 2. Business Case Review

### Capital Costs

The estimated total cost of the Valley Gardens Phase 3 scheme is £7.84 million, of which the funding requested from C2C LEP under the LGF is £6 million. The applicant's share of the total capital costs (£1.84 million) is 23% of the total, which meets C2C's requirement of at least 15% matched funding for transport projects. The total capital cost estimate is given in Table 2.1.

Table 2.1: Scheme Capital Costs

Item	Cost (£ '000s)
Planning and feasibility studies	230
Construction (labour, materials, equipment)	6,272
Project management	155
Consultancy	70
Site supervision	56
Post-completion monitoring	20
Post-completion project management	25
Allowance for tender inflation	203
Construction risks	338
Design and development risks	471
<b>Total Cost</b>	<b>7,840</b>

While no provision has been made for optimism bias, adequate provision seems to have been made for tender inflation as well as project risks and contingency. The construction phase is expected to run from February 2020 to March 2021 (12 to 13 months), which seems reasonable.

The overall capital cost estimates seem to be reasonable and have been estimated as per existing HM Treasury guidance.

### Job Creation

According to the C2C LEP Strategic Economic Plan (SEP) 2014, the Valley Gardens project (all three phases) would unlock housing development for 100 homes, deliver 9,000m<sup>2</sup> of employment floorspace and create 1,179 new jobs. No separate estimates have been provided of the total number of jobs that will be created by Phase 3. It will however be reasonable to assume that all the estimated new jobs will not be created unless all 3 phases of the project are delivered.

### Value for Money

A value for money analysis was undertaken in line with current DfT WebTAG and HM Treasury guidelines and methodology. The total estimated economic benefits and disbenefits of the scheme is given in Table 2.2.

Table 2.2: Scheme Economic Benefits

Item	Cost (£ million)
Accident (collision/casualty) reduction benefits	11.001
Active travel (walking and cycling) benefits	1.495
Land value uplift benefits	4.295
Public realm benefits	1.893
Supporting growth of the KIBS sector	6.168
Journey time (dis)benefits	-17.042
<b>Total Benefits</b>	<b>7.811</b>

#### Accident Reduction Benefits

The primary economic benefits from the scheme is the reduction in accidents due to collisions. Between 2013 and 2017, there were a total of 124 collisions in the Phase 3 area, of which 23 resulted in serious injury. Of the serious injuries, 40% were cyclists and 26% pedestrians.

With improved cycle lanes and pedestrian connectivity, we can expect the scheme to deliver a reduction in accidents and collisions. Benefits from a reduction in accidents were estimated using the DfT's Cost and Benefit of Accidents – Light Touch (COBALT) model, a computer program developed by the DfT to undertake the analysis of the impact on accidents as part of economic appraisal for a road scheme. Based on the outputs from the model, Phase 3 is expected to deliver a 44% reduction in the number of accidents, compared to the without scheme scenario. The number of fatal casualties has been estimated to reduce by 46%. While these percentage reductions seem to be high, they have been estimated based on approved DfT appraisal guidance, and hence are considered acceptable.

#### Active Travel Benefits

With improved accessibility and facilities for cyclists and pedestrians, this scheme is expected to deliver increased walking and cycling. The increase in these active modes of travel deliver benefits in terms of improved health, fitness and general wellbeing, as well as improved air quality. The DfT's Active Mode Appraisal Toolkit (AMAT) was used to estimate these benefits. Of the total benefit of £1.495 million, £0.998 million was a result of improved journey ambience. These benefits have been estimated based on approved DfT appraisal guidance, and hence are considered acceptable.

#### Land Value Uplift Benefits

Land value uplift captures the increase in land value anticipated to occur in an area as a result of a targeted investment that enhances the attractiveness or accessibility of an area. The assessment focussed on 53 sites in the Valley Gardens area where it was expected Phase 3 to have an impact. The calculation of land value uplift was undertaken in line with appraisal guidance from the Ministry of Housing, Communities and Local Government (MHCLG). As per MHCLG guidance, land value uplift is calculated by subtracting the modelled land value from the current land value.

Land value data was obtained from commercial and residential property agents. It was assumed that Phase 3 would deliver a 10% change of land use from office to residential properties, due to the improved transport and public realm improvements. This resulted in an 8% uplift in land values, delivering a total benefit of £4.295 million. The assumptions made seem to be reasonable, and the benefits have been estimated based on approved MHCLG guidance, and hence are considered acceptable.

### Public Realm Benefits

The scheme is expected to deliver an enhanced public realm in Valley Gardens, including the opportunity for holding commercial, community and charity events in the area. As per MHCLG guidance each household will be willing to pay £1.80 for each hectare of new public realm. Based on this willingness to pay assumption, the total public realm benefit was estimated to be £1.893 million.

The assumptions made seem to be reasonable, and the benefits have been estimated based on approved MHCLG guidance, and hence are considered acceptable.

### Supporting Growth of the KBIS Sector

Knowledge Intensive Business Services (KIBS) is seen as one of the main potential growth sectors in Brighton and Hove, delivering jobs and investment. Brighton & Hove has particular strengths relative to its size in KIBS sectors, and analysis by HSBC places Brighton & Hove as one of seven UK 'supercities' which will create new types of growth and development in the UK economy. The business case assumes that Valley Gardens Phase 3 will generate 1% of the growth in KIBS sectors in Brighton City Centre. Analysis undertaken for the Valley Gardens Phase 1 & 2 business case estimated that the total annual growth in the Brighton & Hove City Centre Gross Value Added (GVA) from the KIBS sector is £119 million.

Valley Gardens Phase 3 will therefore deliver growth in the KIBS sector of £1.19 million per annum, which has been estimated at £6.618 million over the appraisal period. The assumptions made to estimate these benefits seem reasonable and hence are considered acceptable.

### Journey Time Disbenefits

While the scheme delivers a range of positive economic benefits, it will lead to an increase in journey times for both car and bus users, as the number of lanes available for vehicular is reduced. This will result in significant journey time disbenefits of £17.042 million. Assessment of these (dis)benefits was based on the model outputs from the city centre PARAMICS traffic model developed for BHCC by AECOM.

Based on the cost benefit analysis, a BCR of 1.2 has been estimated. This BCR places the scheme within the DfT's 'Low' value for money category.

It is however likely that the scheme will deliver other benefits that have not been monetised for this business case. These include vehicle operating cost savings, air quality improvements and noise reduction benefits.

### Environmental Impact

The scheme is expected to lead to increased cycling and walking, and hence deliver the following environmental benefits:

- Improved air quality;
- Reduction in noise;
- Retention of mature trees; and
- Contribute to biodiversity.

Further, all 70 existing trees will be retained and 30 new trees will be planted. These benefits have not been quantified or monetised in the business case. Based on the evidence and analysis provided in the business case, these conclusions are reasonable.

## Social Impact

Based on the improvements to the public realm, the scheme is expected to deliver the following positive social impact:

- Improved access for mobility impaired users;
- Improved access for visually impaired users;
- Providing connectivity between green/public spaces;
- Providing wide unobstructed footways;
- Providing/maintaining access to essential services; and
- Providing opportunities for resting and seating.

These benefits have not been quantified or monetised in the business case. Based on the evidence and analysis provided in the business case, these conclusions are reasonable.

## 3. Project Risks

A detailed risk register was provided as part of the business case, and the following were the key risks identified:

- Finance and securing best value;
- Design risks, including alignment with other proposed transport schemes and developments in Brighton;
- Stakeholder engagement and support of proposed scheme;
- Enabling the ongoing use of the Phase 3 area for events;
- Safety and security of new public spaces; and
- Construction programme and delivery;

None of the risks have been identified as 'High', i.e. requiring immediate action. The most significant risk to the project is not securing funding from C2C. No alternative sources of funding have been identified, and hence the project will not be able to proceed. This will mean that the full benefits of the entire Valley Gardens scheme (all 3 phases) will not be realised.

The other important risk is the construction interphases between this scheme, the Valley Gardens Phases 1 & 2, and other transport schemes in Brighton. However, BHCC seem to have put in adequate measures to mitigate against these risks.

Overall a review of the project risk register suggests that there are no significant or major project risks, and the risks identified can be overcome with the mitigation measures proposed..

## 4. Project Deliverability

BHCC has extensive experience of delivering projects of this nature, including the Valley Gardens Phase 1 & 2 scheme. They have set up an appropriate project management and governance structure, including oversight and accountability.

Based on this, there are no issues around BHCC's ability to successfully deliver this package of schemes.

## 5. Recommendation

The business case for Valley Gardens Phases 1 & 2 estimated that the schemes will deliver total economic benefits of £38.787 million, and a BCR of 4.148. Though not explicitly stated in the Phases

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1 & 2 business case, for the full benefits of the entire Valley Gardens scheme to be realised, it is essential that all 3 phases are funded and completed. The anticipated outcomes for Valley Gardens Phases 1 & 2 are significantly predicted on the delivery of a coherent Phase 3 scheme. C2C LEP has already funded Phases 1 & 2, and not providing funding for Phase 3 will mean that the scheme will remain incomplete and that the entire benefits will not be realised.

Even though Phase 3 on its own delivers a BCR of only 1.2 and is within the DfT's 'Low' value for money category, this should not be viewed as a stand-alone project, but part of a wider regeneration scheme for the Valley Gardens as a whole.

The reviewer considers that the business case is robust and fit for purpose for a £7.84 million scheme, and that the project will provide economic benefits and with relatively low risks. As such, the reviewer recommends that the requested LEP funding of £6 million is approved for the Valley Gardens Phase 3 project.