

Getting Building Fund

Report to the Humber Leadership Board, 1st October 2020

Report from Richard Kendall, Executive Director – Strategy Policy & Business Development, Humber LEP

1. Summary

1.1. This paper recommends making a commitment from the Getting Building Fund allocation to four projects, following LEP Board decision.

2. Recommended Actions

2.1. That the Humber Leadership Board commits the following from the Getting Building Fund:

- £2m to Hull and East Yorkshire Highways Resilience Programme
- £4.8m to Delivering housing Growth in Hull – Ings and Wawne
- £2.7m to Hull and East Yorkshire Cycle Route Delivery Programme
- £1.5m to Growing Hull & East Yorkshire

3. Stage 3: Projects moving into delivery (Full Business Cases)

3.1. Four full business cases have been recommended for full funding commitment by the LEP Board. Three have been subject to external appraisal in the usual way, with the other reviewed internally as it is a continuation of an existing business grant scheme. A precis of the schemes is provided below and a summary of the independent technical evaluations can be seen at Annex 1.

3.2. Hull and East Yorkshire Highways Resilience Programme

3.3. The condition of the highway network across the country is continuing to decline under current budget levels, which has resulted in a maintenance backlog where roads are not being maintained to a level appropriate to their classification.

3.4. To address this, East Riding of Yorkshire Council and Hull City Council have identified an opportunity to extend capital investment in road maintenance on a number of key 'A' roads across the area.

3.5. The investment will seek to improve the condition and quality of the highway asset in a cost effective manner, addressing investment to increase the percentage of 'A' roads in good or very good condition.

3.6. The scheme will provide enhanced maintenance works to the following sections of 'A' classified road:

- A614 north and south of Boothferry Bridge near Goole.
- A164 between Howden and Market Weighton. This route passes through housing and industrial areas and the route can be very busy and congested at peak times.
- A165 at Ganstead. The road runs through a residential area and is one of the main commuting routes from mid Holderness into Hull.

- 3.7. The additional investment will reduce the costs and delays associated with reactive roadworks. An improved road surface has additional noise reduction and safety benefits, resulting in reduced costs to the Council and to individuals along with increased reliability of journey time.
- 3.8. The investment will also help to address national, regional and local strategic priorities by improving access to key facilities such as employment and healthcare sites, and support economic growth and regeneration by creating a resilient and sustainable local transport network.
- 3.9. Finally, the proposed scheme will contribute to more efficient asset management in the long term, reducing whole life costs and preventing the need for reactive maintenance which is both expensive and disruptive. An economic assessment undertaken by the sponsor shows that the proposal offers very high value for money.

Delivering Housing Growth in Hull – Ings and Wawne

- 3.10. The scheme will accelerate the delivery of essential housing infrastructure required to enable the development of new homes at two key development sites in Hull (Ings and Wawne View). This will involve diversion and upgrades of utility services along with key road development and junction improvements.
- 3.11. The scheme will unlock the delivery over 9 years of quality affordable homes which will increase housing supply, reduce waiting lists for social housing and reduce instances of homelessness in Hull. The two development areas are characterised as follows:
- Wawne View is currently greenfield, agricultural land surrounded by residential developments. The site borders with East Riding and is adjacent to some very significant housing growth areas. A consortia of developers has been secured to deliver this development, leveraging £106m private sector match. GBF funding will support works to link the site to existing infrastructure and connect it to the existing road network (required agreements are already in place).
 - Ings – Is currently brownfield, former residential land where Hull City Council undertook significant demolition of existing non-traditional and defective housing stock as part of wider plans for housing market renewal. This scheme seeks to directly replace the sub-standard stock with new and sustainable house types. Compendium has been confirmed to deliver this development, leveraging £57m private sector match. GBF funding will support the delivery of a new spine road connecting two main junctions.
- 3.12. The developers for both Ings and Wawne View have already been competitively procured and have entered into long-term development agreements with Hull City Council. The contractual variations to accelerate delivery brought about by this funding are enabled under the Public Contracts Regulations 2015.
- 3.13. The links between good quality housing and better health outcomes are well documented, therefore the new housing supply is expected to improve health outcomes for residents. Construction of new, energy efficient homes will improve neighbourhood quality and make homes cheaper to heat. The scheme continues an already successful housing-led regeneration programme and contributes to numerous local and national strategies.

Hull and East Yorkshire Cycle Route Delivery Programme

- 3.14. Road congestion currently affects traffic into and out of the city centre, other employment sites and enterprise zones, impacting journey times and the reliability of public transport. Movement around the city is further complicated by the River Hull which bisects the city and traffic is funnelled onto a few key radial routes at the crossing points.
- 3.15. There is a need to improve sustainable links to develop new travel patterns. COVID-19 has reduced patronage on public transport and as the population returns to work the road network may struggle to accommodate those public transport trips transferring to private vehicle.
- 3.16. The scheme aims to provide improved continuous, direct, safe and attractive cycle routes linking large residential areas in the East Riding and within Hull, with the employment centre of Hull. The purpose is to make cycling a realistic transport choice for a greater number of people.
- 3.17. Two key routes will be addressed:
 - Existing cycle lanes along Beverley Road will be widened and made mandatory, with existing gaps filled to improve safety at junctions.
 - A large number of adjacent residential areas in Cottingham will be linked by off road and quiet street sections with junction improvements.
- 3.18. The intention of the project is to encourage more residents to use sustainable travel, particularly for peak time travel to work journeys, but also to provide a step towards addressing obesity issues in Hull. Active travel is identified as one of the four key pillars in Hull's active Hull strategy that can be incorporated into everyday life. Additional benefits linked to improvements in air quality, reduced carbon use and reduced congestion are also expected.

Growing Hull & East Yorkshire

- 3.19. The established Growing the Humber scheme provides capital grants to SME businesses to support businesses to overcome uncertainties to make growth-focussed investments. Since 2013 it has invested £35.3m, leveraging £122m from 439 businesses and supporting the creation of 2,814 jobs.
- 3.20. The scheme has a track record of delivery, being recognised and valued by businesses and the business support community. This extension focussed on Hull and East Yorkshire is proposed to be more flexible in response to changing circumstances and demand. Whilst retaining the overall focus on job creation and stimulating business investment, it will also allow for a broader range of interventions that support productivity improvements (safeguarding jobs) and the green recovery – addressing an underlying weakness and a strategic opportunity for the area. This will build on the growth of the Humber's leading offshore wind cluster and ongoing investment in industrial decarbonisation by major firms, supporting more SMEs to enter low/zero carbon supply chains.
- 3.21. The scheme will aid the creation of at least 57 new jobs, the safeguarding of at least 38 jobs, and the creation of 10,000m² refurbished commercial Floorspace by offering support to at least 24 businesses.

3.22. As the business case was previously assessed under the LEP's Assurance Framework, an update of the existing business case and review by the Accountable Body has been undertaken to confirm that it still meets an acceptable level of value for money.

4. Recommendations

The Humber Leadership Board is requested to endorse the decision of the LEP Board to make the following commitments from the Humber's Local Growth Fund allocation:

- **£2m to Hull and East Yorkshire Highways Resilience Programme**
- **£4.8m to Delivering housing Growth in Hull – Ings and Wawne**
- **£2.7m to Hull and East Yorkshire Cycle Route Delivery Programme**
- **£1.5m to Growing Hull & East Yorkshire Programme**

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Appendix 1 - Summary of Independent Technical Assessment

Hull & East Yorkshire Highways Resilience Programme

The Scheme has been appraised by the LEP and Accountable Body's Independent Technical Evaluators, in accordance with the HM Government's Green Book Methodology, and has been rigorously assessed against a number of criteria, with a particular focus on value for money and deliverability, and RAG rated accordingly.

Strategic Case	Is there evidence to show that there is a need for intervention?
	Have objectives been appropriately defined?
	Have alternative options been identified?
	Does the case identify other factors affecting the suitability of the preferred option
	Does the case identify risks affecting delivery of the scheme?
Economic Case	General (discount year, appraisal year, opening year, sensitivity testing).
	Capital cost
	Other Costs - (inc. operating/maintenance uses)
	Benefits
	Revenue
Appraisal Outputs (NPV, BCR, VfM)	
Commercial Case	Contracting strategy, procurement, procurement experience, market maturity, risk, consistency
Financial Case	Financial Estimates (Capital) (funding requirement, accuracy, inflation assumptions, time consistency, overheads & uplifts, risk & uncertainty, contingency & optimism bias)
	Financial Procedures: Funding mechanism, availability of funds, funding commitment, funding risks, funding constraints
Management Case	Project sponsor, wider governance, approval procedures, stakeholder engagement plan, risk management strategy, availability and suitability of resources, work programme, project/programme management, monitoring & evaluation, benefits realisation

Accountable Body comments

The condition of the highway network across the country is continuing to decline under current budget levels, which has resulted in a maintenance backlog where roads are not being maintained to a level appropriate to their classification. The routes were selected following lifecycle modelling through the respective authority's Transport Asset Management Plans as sites that required maintenance but also played a key strategic role in terms of connecting residential areas and smaller towns and villages to key local facilities including employment sites, healthcare facilities and education provision. The independent technical evaluation identified the use of the Highways maintenance Approval Tool, with no issues of concern raised.

The Benefit Cost Ratio is 7.4:1. VfM category is thus very high.

The scheme appears to be deliverable within the life of GBF programme.

Delivering Housing Growth in Hull – Ings and Wawne

The Scheme has been appraised by the LEP and Accountable Body's Independent Technical Evaluators, in accordance with the HM Government's Green Book Methodology, and has been rigorously assessed against a number of criteria, with a particular focus on value for money and deliverability, and RAG rated accordingly.

Strategic Case	Is there evidence to show that there is a need for intervention?	Green
	Have objectives been appropriately defined?	
	Have alternative options been identified?	
	Does the case identify other factors affecting the suitability of the preferred option	
	Does the case identify risks affecting delivery of the scheme?	
Economic Case	General (discount year, appraisal year, opening year, sensitivity testing).	Green
	Capital cost	
	Other Costs - (inc. operating/maintenance uses)	
	Benefits	
	Revenue	
	Appraisal Outputs (NPV, BCR, VfM)	
Commercial Case	Contracting strategy, procurement, procurement experience, market maturity, risk, consistency	Green
Financial Case	Financial Estimates (Capital) (funding requirement, accuracy, inflation assumptions, time consistency, overheads & uplifts, risk & uncertainty, contingency & optimism bias)	Green
	Financial Procedures: Funding mechanism, availability of funds, funding commitment, funding risks, funding constraints	
Management Case	Project sponsor, wider governance, approval procedures, stakeholder engagement plan, risk management strategy, availability and suitability of resources, work programme, project/programme management, monitoring & evaluation, benefits realisation	Green

Accountable Body comments

The project is the delivery of essential housing infrastructure required for the development of new homes, including diversion of utility services and upgrades, and the development of key roads and junction improvements. These works will support the continued delivery of two key sites in the city at Ings and Wawne View. The independent technical evaluation identified a clear policy rationale, aligning with the SEP. Throughout, a sensible and proportionate methodology has been applied, providing the level of detail which is necessary in order to ensure that the scheme promoter has given a clear picture of what the scheme aims to deliver, how, and what benefits this will bring to the local region. A wider economic benefits approach has been taken which is proportionate and appropriate for this scheme.

The Benefit Cost Ratio is 14.58:1. VfM category is thus very high.

The scheme appears to be deliverable within the life of GBF programme.

A more comprehensive risk register is required, which will be addressed as part of the scheme conditions.

Hull & East Yorkshire Cycle Route Delivery Programme

The Scheme has been appraised by the LEP and Accountable Body's Independent Technical Evaluators, in accordance with the HM Government's Green Book Methodology, and has been rigorously assessed against a number of criteria, with a particular focus on value for money and deliverability, and RAG rated accordingly.

Strategic Case	Is there evidence to show that there is a need for intervention?	Green
	Have objectives been appropriately defined?	
	Have alternative options been identified?	
	Does the case identify other factors affecting the suitability of the preferred option	
	Does the case identify risks affecting delivery of the scheme?	
Economic Case	General (discount year, appraisal year, opening year, sensitivity testing).	Green
	Capital cost	
	Other Costs - (inc. operating/maintenance uses)	
	Benefits	
	Revenue	
	Appraisal Outputs (NPV, BCR, VfM)	
Commercial Case	Contracting strategy, procurement, procurement experience, market maturity, risk, consistency	Green
Financial Case	Financial Estimates (Capital) (funding requirement, accuracy, inflation assumptions, time consistency, overheads & uplifts, risk & uncertainty, contingency & optimism bias)	Green
	Financial Procedures: Funding mechanism, availability of funds, funding commitment, funding risks, funding constraints	
Management Case	Project sponsor, wider governance, approval procedures, stakeholder engagement plan, risk management strategy, availability and suitability of resources, work programme, project/programme management, monitoring & evaluation, benefits realisation	Green

Accountable Body comments

The project will provide easier access to Hull city centre for cycles and thereby improve the available infrastructure, create easier routes other than by private car and public transport to the main centre for discretionary spend with a specific focus on Beverley Road and City centre to Cottingham. The independent technical evaluation identified the use of the DfT's Active Mode Appraisal Toolkit, with no material issues of concern raised.

The Benefit Cost Ratio is 1.3:1. VfM category is thus low.

The scheme appears to be deliverable within the life of GBF programme.

A more comprehensive risk register is required. In addition clarification around some of the financial assumptions used is required alongside more details of the public consultation to be undertaken and how the benefits (especially social benefits) will be measured. These are, however, of essentially a technical nature and will be addressed as part of the scheme conditions.