



# Northumberland

## County Council

CABINET

17 NOVEMBER 2022

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### NORTHERN GATEWAY PHASE 2: OUTLINE BUSINESS CASE

**Report of:** Rick O'Farrell, Interim Chief Executive

**Cabinet Member:** Councillor Wojciech Ploszaj, portfolio holder for Business

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#### **Purpose of report**

In accordance with the Energising Blyth Programme - Local Assurance Framework, the report seeks the approval of the Town Deal Outline Business Case (OBC) for the Regent Street Improvements (Northern Gateway Phase 2) project which is pending approval by the Department of Levelling Up, Housing and Communities (DLUHC). The OBC has been externally appraised with a recommendation to proceed to Full Business Case (FBC). It was approved by Town Deal Board on 28 September 2022.

#### **Recommendations**

**Cabinet is recommended to:**

- (1) Approve the Outline Business Case (OBC) for the Northern Gateway Phase 2 project to enable progression to Full Business Case.**
- (2) Delegate authority, in accordance with the Local Assurance Framework, to the Council's s151 Officer following consideration by the Energising Blyth Programme Board to approve the Full Business Case and report the capital implications to Capital Strategy Group for inclusion in the Capital Programme.**
- (3) Delegate approvals to the Executive Director to execute all contracts relating to the project subject to confirmation of associated funding being in place and the appropriate procurement processes being followed.**

#### **Link to Corporate Plan**

This project is part of the Energising Blyth Programme supported by the Town Deal. This is a placemaking 'whole town' programme which contributes across most of the Council's Corporate Plan Priorities but particularly to the living, enjoying, thriving and connecting strategic priorities.

## **Key issues**

Since the Town Deal funding award, a considerable amount of work has been undertaken to develop the Outline Business Case (OBC). This OBC is now fully prepared and ready for submission to the UK Government to serve two purposes. First, to provide sufficient confidence to the Government that this is an attractive and robust project; and confirm an ask of £2.1 million. Second, to provide a solid foundation for finalising the full business case, thereby securing approval of the project.

The approvals process for the Northern Gateway Phase 2 project has commenced with the submission of the OBC to DLUHC for the proposed £3.4M scheme.

To date, Town Deal has provided a total of £75,000 towards the development of the Project.

When the Strategic Outline Business Case (SOBC) for the project was submitted in June 2022, the scope of the project, in terms of infrastructure requirements, was largely agreed.

The project programme anticipates that the project will commence in March 2025 with completion by February 2026.

This report summarises the five cases (Strategic; Economic; Commercial; Financial; Management) contained within the OBC whilst highlighting the implications within each for the County Council.

## **BACKGROUND**

1. Northumberland County Council and its partners have been successful in attracting both Future High Streets (£11.1m) and Town Deal (£20.9m) funding to transform Blyth town centre. This substantial funding will stimulate confidence and further investment, create new jobs, bolster economic growth and transform the town ensuring it realises its full potential. This significant programme of renewal is underpinned by creative engagement with the community of Blyth demonstrating demand and support for positive change.
2. The Local Assurance Framework requires the completion of a proportionate 'Green Book' Business Case for all projects within the programme through 3 key stages, Strategic Outline Business Case, Outline Business Case and Full Business Case. The OBC was externally appraised on 16<sup>th</sup> September 2022 and approved by the Town Deal Board on 28<sup>th</sup> September 2022. This means that the project details through all '5 cases' within the OBC are largely finalised. There is little difference between the OBC and FBC in terms of the depth and substance of the project information included.
3. The main purpose of the FBC stage is to confirm any outstanding project details that were not finalised at the time of the OBC submission. This will include, confirmation of costs, draft construction contract and confirmation of funding, planning and programme.
4. By Full Business Case, the Summary Document should be approved by DLUHC and the first-year funding received by NCC, allowing project delivery once the FBC and grant funding agreement are in place. Each subsequent year's funding will be released to NCC by DLUHC based on project progress and will enable payments to the applicant in accordance with the Grant Funding Agreement and subject to monitoring, reporting and evidence.

## **PROJECT SCOPE**

### **REGENT STREET IMPROVEMENTS (NORTHERN GATEWAY PHASE 2)**

5. Northern Gateway Phase 2 (NG2) will improve cycleways, footpaths, roads and public space, enhancing access to Blyth Town Centre from the north. Phase 1 works are currently in delivery, supported with £0.75m Accelerated Towns Funding. Phase 2 will complete the full package of works, creating a more attractive and welcoming entrance to the town. It will connect to the Blyth Bebside cycle / walking corridor, linking the new station with the town centre. The project will support Blyth's vision to be a Connected, Vibrant and Clean Growth Town.
6. A Public Realm Masterplan was developed in 2020 with the aim of being used as a guide for future development within Blyth Town Centre. The principles within the

Masterplan have already been adopted during improvements to Bowes Street, Church Street and Wanley Street.

7. Blyth Town Council are engaged in the project development, asset management is a key element of the project. An existing Partnership Agreement is in place between Blyth Town Council and Neighbourhood Services.
8. Designs for the project are currently at Preliminary Design stage. The design team are working with partners to progress more detailed designs and project costs.
9. The Strategic objectives for the project are:
  - Create a more welcoming, accessible entrance to the town centre, resulting in increased footfall and improved perceptions of place
  - Improve the quality of walking and cycling routes between Blyth town centre and north of the town to reduce existing barriers and make movement in and out of the town easier
  - Increase active travel and reduce car journeys through improvements to walking and cycling
10. A considerable amount of work has been undertaken to develop the Outline Business Case (OBC) and Summary Document, which is now fully prepared and ready for submission to the UK Government.

## Strategic Case

11. Northern Gateway Phase 2 will improve cycleways, footpaths, roads and public space, enhancing access to Blyth Town Centre from the north. Phase 1 works are currently in delivery, supported with £0.75m Accelerated Towns Funding. Phase 2 will complete the full package of works, creating a more attractive and welcoming entrance to the town. It will connect to the Blyth Bebside cycle / walking corridor, linking the new station with the town centre.
12. Northern Gateway Phase 2 directly contributes to and aligns with the Energising Blyth Strategy and the Town Investment Plan, delivering against two of the core objectives (Vibrant Town, Connected Town) as well as the Clean Growth Town cross cutting priority.
13. The project is consistent with and will contribute towards the achievement of national, regional, and local strategic objectives and will address the following two market failures:
  - **Public Good:** the infrastructure provided by the project in terms of public realm corrects a market failure in that this will not be provided by the private sector, particularly given the low local land prices and limited opportunity for developer contributions. Public realm is non-excludable and non-rivalrous, meaning

anyone can benefit from the provision of public realm and benefits to one person do not reduce the benefit for others. There is no profit incentive for the private sector to invest in the improvements and so the benefits are not likely to be realised without public sector intervention.

- **Investor Confidence:** Existing public realm in Blyth town centre undersells its role as a retail hub and creates a negative perception of place. Lower footfall and dwell time may discourage private sector investment, increase retail vacancies and reduce land values. An improvement to visitor numbers and expenditure via a revitalised public realm and active transport offer will demonstrate the opportunities for growth in Blyth's town centre.
- **Information Failure:** Blyth is constrained by the somewhat negative and outdated perceptions as a place. Poor public realm and lack of green infrastructure does not highlight the strengths or reflect its quality-of-life offer, which is particularly important in part of its reinvention as a clean growth beacon for the UK.
- **Positive Externalities:** these will be generated by improved connectivity and public realm. Improved experience can support making the town centre more attractive, which can drive dwell time and spend. Improved health and low-carbon outcomes can also be met through better pedestrian priority and improved cycle links, which would generate economic and social benefits for local people.

14. Investment will help to connect the town centre to the Blyth Bebside Cycle / Walking corridor, linking to the new Bebside Station. This will promote sustainable transport choices that reduce congestion, improve air quality and support health benefits associated with active travel.
15. There is a clear need to invest in public realm in order to improve visitor experience, increase dwell time and improve sense of arrival into the town centre. Public sector investment is essential to ensure the scale and scope of a high quality intervention that drives increased footfall and visitor spend.

## **Economic Case**

16. The economic case assesses the benefits and costs of the project based upon its agreed critical success factors and strategic objectives. This assessment is undertaken in a standardised way in accordance with Treasury guidance to both define the extent to which the project provides value for money.
17. The preferred delivery option versus a no Town Deal/business as usual option were appraised. The quantified benefits considered journey ambience improvements and uplifts in walking and cycling, namely mode shift and health benefits.

18. The costs and benefits of the preferred option was calculated and **delivers a Benefits/Cost Ratio (BCR) of 1.94**. This demonstrates acceptable value for money according to DLUHC BCR categories.

## Commercial case

### *Project Build/construction options*

19. Two project build/construction options have been considered:
- Option 1 – In house build.
  - Option 2a – Additional support/procure services via an established framework for operator plant and small works.
  - Option 2b – Procure third party contractor for construction phase.
20. Whilst an ‘in house’ build (option 1) is preferred, other options have been considered to mitigate the risk of insufficient ‘in house’ capacity.
21. The Procurement process and timelines have been explored and sufficient time has been included within the Programme in order to mitigate risk of delays.

### *Project Delivery/Operation options*

22. The scheme will form part of the public highway upon completion, ownership and long term maintenance will be the responsibility of Northumberland County Council.
23. A Management & Maintenance Plan currently exists in partnership with Blyth Town Council (currently to March 2024). The partnership will play a key role in maintaining new assets associated with the project.

## Financial case

24. The total anticipated capital cost of the project is £3,396,821, this will be confirmed at Full Business Case stage. The breakdown of the costs is as follows:

Item	Cost
<b>Capital</b>	
Design	173,410
Utilities	100,000
Construction	2,167,520
Inflation	389,001
Risk	566,890
<b>Total</b>	<b>3,396,821</b>

25. Construction costs were estimated by NCC Technical Services and a qualified Quantity Surveyor based on the preferred Concept Designs available at this time and benchmarked against similar schemes.
26. Costs are £396,821 above the £3 million budget initially set. Risk has been included at a conservative rate of 20%. The funding package is set out below.
27. The preferred scheme consists of improvements to Regent Street, Simpson Street, Seaforth Street and Commercial Road, including public realm improvements and improved cycling infrastructure.

*Project funding*

28. The breakdown of the proposed funding sources and amounts is set out below. As part of the Medium Term Financial Plan, the Council Capital has identified a total of £1,296,821 with the remainder funded by Towns Fund.

<b>Funding source</b>	<b>Capital</b>	<b>Status</b>
Town Deal	2,100,000	Confirmed, subject to Outline Business Case approval
NCC (capital)	1,296,821	Capital identified on MTFP and Capital Programme, subject to Council approval of OBC.
<b>Total</b>	<b>3,396,821</b>	

*Financial profile*

29. The financial profile of anticipated spend and subsequent drawdown from the various funding sources is detailed below, subject to approval confirmation of those financial contributions.

<b>Expenditure</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>Total</b>
<b>Capital</b>					
Design	83,400	90,010			<b>173,410</b>
Utilities			100,000		<b>100,000</b>
Construction			1,000,000	1,167,520	<b>2,167,520</b>
Inflation		7,201	159,280	222,520	<b>389,001</b>
Risk		0	275,005	291,885	<b>566,890</b>
<b>Total</b>	<b>83,400</b>	<b>97,211</b>	<b>1,534,285</b>	<b>1,681,925</b>	<b>3,396,821</b>

Income	22/23	23/24	24/25	25/26	Total
<b>Capital</b>					
NCC				1,296,821	<b>1,296,821</b>
Town Deal	83,400	97,211	1,534,285	385,104	<b>2,100,000</b>
<b>Total</b>	<b>83,400</b>	<b>97,211</b>	<b>1,534,285</b>	<b>1,681,925</b>	<b>3,396,821</b>

## Management case

30. **Reporting and Governance** will continue in accordance with the Local Assurance Process and will include Cabinet approval and delegation to Town Deal Board to approve the post tender Full Business Case and award contracts. Monitoring and Evaluation will continue and will be reported to Towns Fund in accordance with the Heads of Terms and Grant Funding Agreement.
31. **NCC Technical Services** will project manage delivery of the capital project on behalf of the Energising Blyth team and have led on the Design.
32. A **Project Steering Group** will be established including the Project Manager and members of the design team, also involving members of EB Team, Technical Services, Highways, Strategic Estates and Regeneration Finance & Performance. This Group will cover key Project Delivery areas, including programming, procurement, cost and risk management, change control and quality assurance, health and safety.

### *Key Milestones*

Project milestone	Target date
Preliminary design development	30 June 2022
Strategic Outline Business Case Submitted	6 June 2022
Public Engagement/Consultation	28 July 2022
Outline Business Case (OBC) submitted	12 August 2022
OBC approved by Town Deal Board	28 September 2022
Summary Document submitted to DLUHC	26 October 2022
Summary Document approved by DLUHC	November/December 2022
Detailed design development & costings	1 March 2024
Full Business Case submitted	February 2025
Full Business Case approved by Town Deal Board	February 2025
Final approval of project funding (Town Deal & NCC)	March 2025
TRO's/Stopping Up Orders in place.	March 2026



Construction Commences	3 March 2025
Project Completion	27 February 2026
Stage 3 RSA	27 February 2026

33. The programme plan will continue to be reviewed and updated on a monthly basis.

## **IMPLICATIONS**

<b>Policy</b>	The project fully supports the NCC Corporate Plan, the Northumberland Economic Strategy and the Town Investment Plan
<b>Finance and value for money</b>	For an allocation of £1,296,821, the Council is securing an external investment of £2,100,000. NCC resources for the project are identified in the Energising Blyth (EB) Programme identified in the Medium Term Financial Plan. A request for additional NCC funding of £396,821 from the Energising Blyth Town Deal budget will be made following the approval of the Full Business Case.
<b>Legal</b>	<p>No legal advice in relation to subsidy control advice has been received to date as land is predominantly owned by NCC and the project involves improvement to public realm and so is not economic in nature and the Council will not be active in a market. Receiving contributions from public funds would therefore not provide the Council with any sort of economic advantage.</p> <p>Legal advice will be obtained prior to Full Business Case submission in any event and more particularly if any work is to be undertaken on land outside the ownership of the Council, and / or any additional parts of the project which may be deemed to be commercial in nature.</p> <p>The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 confirm that the matters within this report are not functions reserved to Full Council.</p>
<b>Procurement</b>	Project spend will be subject to the Council's recognised procurement procedures. Rule 4.9.1(e) of the Council's Finance and Contract Procedure Rules requires Executive approval before commencing procurement of goods or services where the value is over £2 million.
<b>Human Resources</b>	The project is being developed by NCC's EB Programme Team in conjunction with partner leads, including NCC Technical Services.
<b>Property</b>	Implications for council property will be considered in detail prior to Full Business Case submission.
<b>Equalities</b>	<p>(Impact Assessment attached)</p> <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A Available on request</p>

<b>Risk Assessment</b>	A risk register is in place for the project which will manage and monitor risk.
<b>Crime &amp; Disorder</b>	This project is part of the proposals in the Energising Blyth Programme which in totality include various measures intended to reduce crime and disorder in Blyth through positive regeneration measures.
<b>Customer Consideration</b>	There has been partner and community consultation during the development of the project. This will continue as detailed designs are developed.
<b>Carbon reduction</b>	Northern Gateway Phase 2 will contribute towards carbon reduction and clean growth objectives by promoting sustainable modes of transport.
<b>Health and Wellbeing</b>	The Town Deal proposals include an underpinning objective to support the development of an 'Inclusive Town' supporting positive health and wellbeing outcomes through successful town centre regeneration.
<b>Wards</b>	Located in Croft Ward in Blyth Town Centre with benefit to all wards in Blyth.

**Background papers:**

Northern Gateway Phase 2 - Outline Business Case – August 2022

**Report sign off**

***Authors must ensure that officers and members have agreed the content of the report:***

	Full Name of Officer
Monitoring Officer/Legal	Helen Lancaster on behalf of Suki Binjal
Executive Director of Finance & S151 Officer	Jan Willis
Relevant Executive Director	Rick O'Farrell
Chief Executive	Rick O'Farrell
Portfolio Holder(s)	Cllr Wojciech Ploszaj

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