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## Solent Gateways Business Case

Report by **BBP Regeneration**

For **Southampton City Council, Isle of Wight District Council,  
and Royal Pier Waterfront (Southampton) Ltd**

June 2015

Report prepared by:

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# Executive Summary

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This business case has been prepared on behalf of the programme partners Southampton City Council, Isle of Wight Council, and Royal Pier Waterfront (Southampton) Limited (RPW) in association with Red Funnel Ferries Ltd.

The Solent Gateways programme is a £500 million plus comprehensive programme of transport and enabling infrastructure projects aimed at tackling regeneration along Southampton's waterfront and in East Cowes and improving connectivity across the Solent. It represents a sustained and comprehensive effort to bring back into productive use underperforming assets and to improve economic growth.

The objectives of Solent Gateways are to:

- Deliver new homes and jobs;
- Improve the capacity and resilience of transport services connecting Southampton and the Isle of Wight;
- Increase the number of visitors to Southampton and the Isle of Wight;
- Better integrate the waterfronts in Southampton and East Cowes with their city and town centres;
- Provide direct pedestrian access and reduce vehicular journey times between the two town centres of East and West Cowes;
- Minimise congestion on the local road networks;
- Bring a vibrant mix of uses and continuous public access to under-utilised waterfront areas in Southampton and East Cowes.

The Solent Local Enterprise Partnership has been granted £15 million of funding through the Local Growth Deal and the purpose of the business case is to enable an award to be made by satisfying the requirements of the LEP Assurance Framework (December 2014).

The programme's key components are:

- Infrastructure works to relocate Red Funnel's ferry terminal to Trafalgar Dock –enabling major private sector investment in new housing and job creation in the tourism, retail and leisure industries at Royal Pier Waterfront, described as the 'jewel in the crown' of the Southampton city centre masterplan. Connectivity across the Solent will also be improved as a result of Red Funnel investing to mirror the size and quality of facilities at both ends of their route, enabling further economic growth;
- Enhanced public realm and road improvements in East Cowes – This will enable the delivery of the East Cowes Project masterplan adopted in 2006 and facilitate the relocation of Red Funnel's marshalling yards;
- Replacement and modernisation of the 'Floating Bridge' chain ferry linking East and West Cowes – this is a critical piece of transport infrastructure, providing one of only two vehicular access/egress points for East Cowes that is coming to the end of its economic life within the next two years.

There are a number of key linkages and dependencies between these three components which give rise to the need for a comprehensive programme based approach.

The **strategic case** shows how the programme will contribute to Solent LEP growth targets and is strategically aligned with the LEP's high level objectives to; maximise economic impact of marine assets; unlock critical employment sites and provide new housing. Solent Gateways will provide an "engine for growth" by improving connectivity to and between important international gateways.

The Royal Pier Waterfront scheme is strategically important to the ongoing renaissance and economic well-being of Southampton and has been a longstanding aspiration of Southampton City Council.

A key objective of the Isle of Wight's Core Strategy is to reduce the need to travel, to improve accessibility across the Island and maintain functional transport links with the mainland. Delivering the East Cowes masterplan is a Council priority in order to create a vibrant and sustainable community, a revitalised town centre and waterfront, and increased employment opportunities within the marine, retail and leisure sectors.

The rationale for the investment of Local Growth Deal funds is to address market failures through addressing a recognised transport infrastructure deficit and thereby providing a platform for economic growth. The funding will unlock significant levels of private finance to deliver development at Royal Pier Waterfront and in East Cowes. Both are complex regeneration projects requiring high levels of up front enabling investment.

The **economic case** has assessed the programme as offering a very high level of value for money.

The Programme will deliver net additional outputs of 5,270 FTE jobs (excluding construction jobs), 790 homes and 59,929 sq m of commercial floorspace (excluding tourism and leisure facilities). The modelling shows a benefit cost ratio (BCR) of 1:45, which even when sensitivities are applied to the benefits by removing the value of increased spending in tourism, construction and the value of the public realm shows a BCR of 1:8.3, still significantly in excess of recognised thresholds.

A separate WebTAG transport appraisal for the floating bridge, prepared on a stand-alone basis demonstrates high value for money with an improved performance given the increase in capacity brought about through Red Funnel's investment in both East Cowes and Southampton.

The programme is assessed as being "cost effective" as public sector discretionary spend per additional job and home falls well below recognised benchmarks. It is also assessed as being "effective" in meeting the programme objectives set out above. Positive distributional benefits are achieved by targeting deprived communities.

The **commercial case** presents evidence of demand for the mix of uses proposed and the need for the transport improvements. Landowner agreements required to assemble the main development areas are either in place or at a well advanced stage.

The **financial case** shows how the total programme will be funded through private and public sources to match the LEP's investment. This results in a funding requirement through Local Growth Deal for:

- 2015/16 – £2,062,100
- 2016/17 – £9,261,679
- 2017/18 – £3,676,221

The **management case** describes the overarching governance arrangements which are in place through the Solent Gateways Project Board and the separate governance and management arrangements for each of the key programme components. It also describes the experience of the programme sponsors in delivering comparable projects.

A programme timeline sets out the key milestones for design, procurement and construction. A planning application for the Trafalgar Docks work is due to be considered by Southampton City Council in autumn 2015, planning permission is not required for the East Cowes public realm transport works and work is at an advanced stage on the planning application for Red Funnels new terminal and marshalling yards. Further rounds of consultation have taken place with the public and other stakeholders in the first half of 2015.

# 1. Introduction

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- 1.1 The Solent Gateways programme is a £500 million plus comprehensive programme of transport and enabling infrastructure projects aimed at tackling regeneration along Southampton's waterfront and in East Cowes and improving connectivity across the Solent. It represents a sustained and comprehensive effort to bring back into productive use underperforming assets and to improve economic growth.
- 1.2 This business case has been prepared on behalf of the programme partners, Southampton City Council, Isle of Wight Council, and Royal Pier Waterfront (Southampton) Limited in association with Red Funnel Ferries Ltd.
- 1.3 The Solent Local Enterprise Partnership has been granted £15 million of funding through the Local Growth Deal and the purpose of this business case is to demonstrate that there is a viable and deliverable programme which delivers value for money for the public investment and enables an award to be made satisfying the requirements of the LEP Assurance Framework (December 2014).
- 1.4 The Assurance Framework seeks to ensure that robust local decision making and value for money processes are in place. It sets out a methodology for assessing overall value for money based upon the principles enshrined in HM Treasury compliant 'green book' format based on the Five Case model.
- 1.5 This business case provides a justification for the LEP to make an in principle investment decision to support the full programme, and enter into separate funding agreements for separate packages and phases within the provisional yearly funding allocation from government.
- 1.6 There are three key components to the programme with a number of interdependencies and linkages between them:
  - **Infrastructure works to relocate Red Funnel's ferry terminal to Trafalgar Dock** – This will enable major private sector investment in new housing and job creation in the tourism, retail and leisure industries at Royal Pier Waterfront. Connectivity across the Solent will also be improved as a result of Red Funnel investing to mirror the size and quality of terminal facilities at both ends of their route, enabling further economic growth.
  - **Enhanced public realm and road improvements in East Cowes** – This will enable the delivery of the East Cowes Project masterplan adopted in 2006 and facilitate the relocation of Red Funnel's marshalling yards.
  - **Replacement and modernisation of the 'Floating Bridge' chain ferry linking East and West Cowes** – This is a critical piece of transport infrastructure, providing one of only two vehicular access/egress points for East Cowes that is coming to the end of its economic life within the next two years.
- 1.7 The approach which has been adopted is to provide an overarching business case for the programme as a whole. The method applied seeks to capture the productive benefits of new build housing and commercial floorspace enabled by the programme. The replacement and modernisation of the Floating Bridge is a transportation project, accordingly a supporting WebTAG compliant business case has been prepared for this component of the programme. The two business cases should be considered alongside each other.
- 1.8 The rest of this Business Case is structured as follows:
  - Section 2 - Methodology
  - Section 3 – The Solent Gateways Programme
  - Section 4 – The Strategic Case



- Section 5 – The Economic Case
- Section 6 – The Commercial Case
- Section 7 – The Financial Case
- Section 8 – The Management Case

## 2. Methodology

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- 2.1 The recently issued LEP Assurance Framework (December 2014) seeks to ensure that there is robust local decision making and value for money processes in place. The Framework sets out a methodology for assessing overall value for money based upon the principles enshrined in the Five Case Model including consideration of a range of options which enable the strategic objectives to be met. It also requires that all funding decisions are based on “impartial advice” and that there is a clear separation between the scheme promoter and those advising the LEP decision makers.
- 2.2 The Five Case Model for appraising public sector investment has been developed to provide a clear framework for thinking about spending proposals and a structured process for appraising, developing and planning to deliver best public value. It is recognised as best practice and is the Treasury’s standard methodology.
- 2.3 The five cases are:
- The Strategic Case – which demonstrates that the spending proposal has SMART objectives, provides business synergy and strategic fit and is predicated upon a robust and evidence based case for change.
  - The Economic Case – demonstrates that the spending proposal optimises public value. This is done by identifying and appraising a range of realistic and achievable options and comparing these with a reference case or do nothing option. A Cost Benefit Analysis is conducted in accordance with Green Book guidance quantifying in monetary terms as many of the costs and benefits (adjusted for additional factors) from a total public sector perspective as possible for shortlisted options. The “preferred option” is then subjected to sensitivity analysis in order to test its robustness.
  - The Commercial Case - demonstrates that the “preferred option” will result in a viable procurement and well structured “deal”.
  - The Financial Case - demonstrates that the “preferred option” will result in a fundable and affordable “deal”.
  - The Management Case - demonstrates that the “preferred option” is capable of being delivered successfully, in accordance with recognised best practice.
- 2.4 For many years the focus of appraisals of transport investments was on the measurement of direct time savings to users and the associated cost savings. Any impact on economic development and regeneration was not considered as part of the investment decision. More recently WebTAG transport appraisal guidance reflects emerging interest in agglomeration economies and the specific role that significant transport improvements can play in improving productivity has come to the fore. Nevertheless capturing regeneration impacts is a relatively less developed area of transport analysis.
- 2.5 The approach adopted in this paper is to provide an overarching business case for the programme as a whole. The method applied seeks to capture the productive benefits of enabling infrastructure arising from the delivery of new build housing and commercial floorspace enabled by the programme. This is the approach adopted by the Homes and Communities Agency (HCA) and agreed with DCLG for the preparation of business cases. Further detail on the method of economic modelling is provided in Section 4.

## 3. The Solent Gateways Programme

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3.1 This section provides a description of the programme and its strategic objectives.

### Strategic Objectives

3.2 The strategic objectives for the Solent Gateways programme have been identified and agreed by the programme partners. The objectives are closely aligned with relevant policies and strategies (as explored in the Policy Context of the Strategic Case).

3.3 The seven Strategic Objectives of the Solent Gateways programme are outlined below:

1. Maximise the delivery of new homes and the creation of new jobs.
2. Improve the capacity and resilience of transport services connecting Southampton and the Isle of Wight, including critical freight services. Enhance the arrival and interchange experience for domestic and international users of these key gateways
3. Increase the number of visitors to Southampton and the Isle of Wight, especially those staying overnight. Encourage visitors to spend more, stay longer and come back more often
4. Better integrate the waterfronts in Southampton and East Cowes with their city and town centres, respectively, by addressing physical and visual barriers
5. Provide direct pedestrian access and reduce vehicular journey times between the two town centres of East Cowes and Cowes, to ensure their future vitality and competitiveness in a global tourism market
6. Minimise congestion on local road networks, particularly where this risks negatively impact the vitality of town centres
7. Bring a vibrant mix of uses and continuous public access to under-utilised waterfront areas in Southampton and East Cowes, whilst preserving the role of Mayflower Park as an important public open space and enhancing its role as the main site of the annual Southampton International Boat Show.

3.4 It should be noted that each of the programme components also has its own, more detailed objectives and requirements, which are explored further in the Economic Case.

### Local Growth Deal projects

3.5 There are three programme components which are seeking Local Growth Deal funding:

- **Enabling infrastructure for the relocation of Red Funnel's Southampton ferry terminal to Trafalgar Dock:** The relocation makes Red Funnel's current site at Royal Pier available for redevelopment as part of the £500m mixed use Royal Pier Waterfront development scheme. The required infrastructure includes new access road from the existing highway network to serve the relocated Red Funnel terminal facilities, associated new pedestrian, cycle and bus connections/ infrastructure, public realm and access to heritage sites.
- **Replacement and modernisation of the Floating Bridge linking East Cowes and Cowes:** The Floating Bridge is a critical piece of transport infrastructure for the Isle of Wight, but the current 'chain ferry' vessel is reaching the end of its economic life.
- **Highways, public realm and public transport improvements to Bridge Square, York Square, Castle Street, York Avenue and Link Road in East Cowes**

## Wider programme

3.6 Figure 3.1 below outlines the wider Solent Gateways Programme, including projects:

- that have been delivered;
- that are committed and for which funding has been awarded;
- for which Local Growth Deal is being sought, and;
- that will be directly enabled / leveraged as a result of other projects.

**Figure 3.1 – Wider Solent Gateways programme**

Solent Gateways Programme			
	Redevelopment of Royal Pier Waterfront and Trafalgar Dock	Replacement and modernisation of Floating Bridge connecting East Cowes and Cowes	Regeneration of East Cowes town centre and waterfront
<b>Delivered / committed</b>	<ul style="list-style-type: none"> <li>• Platform for Prosperity, Southampton</li> <li>• Refurbishment of Red Funnel cross-Solent ferries</li> </ul>		<ul style="list-style-type: none"> <li>• Cowes Harbour Breakwater</li> </ul>
<b>LGD funding sought</b>	<ul style="list-style-type: none"> <li>• Enabling infrastructure for the relocation of Red Funnel's Southampton ferry terminal to Trafalgar Dock</li> </ul>	<ul style="list-style-type: none"> <li>• Replacement and modernisation of Floating Bridge</li> </ul>	<ul style="list-style-type: none"> <li>• Highways, public realm and public transport improvements to Bridge Square, York Square, Castle Street, York Avenue and Link Road in East Cowes</li> </ul>
<b>Directly enabled / leveraged</b>	<ul style="list-style-type: none"> <li>• Re-provision of Red Funnel's Southampton ferry terminal at Trafalgar Dock (like-for-like replacement)</li> <li>• Re-provision of Red Funnel ferry terminal at Trafalgar Dock (private sector investment to upgrade)</li> <li>• Delivery of new build housing, commercial floorspace, hotel and leisure facilities at Royal Pier Waterfront (including required strategic on-site infrastructure)</li> </ul>		<ul style="list-style-type: none"> <li>• New Red Funnel terminal building and consolidation of two existing marshalling yards in East Cowes onto one site</li> <li>• Delivery of new build housing and commercial floorspace at Trinity Wharf and Trinity Yard</li> <li>• Delivery of new build housing and commercial floorspace at Phoenix Yard</li> </ul>

Source: BBP Regeneration analysis

3.7 A more detailed breakdown of all projects, making up the programme, alongside estimates of the total cost of each project are described in the table overleaf.

Figure 3.2 – Detailed project descriptions, funding status and costs

Proj Ref	Project component	Funding status	Total cost (£m)	Project description
<b>1.0</b>	<b>REDEVELOPMENT OF ROYAL PIER WATERFRONT AND TRAFALGAR DOCK</b>			
1.01	Platform for Prosperity, Southampton	Delivered	<b>14,098,800</b>	Essential transport infrastructure works to support existing and future expansion of the Port of Southampton, as well as the redevelopment of Royal Pier Waterfront and Town Depot. Works include: a new section of dual carriageway along the full length of Platform Road, from Town Quay through to Canute Road, enabling the existing gyratory system around Queen's Park to be downgraded to a local access route, and; environmental improvements to Queen's Park, with improved pedestrian and cycle ways to encourage sustainable modes of travel and greater use of the parkland.
1.02	Refurbishment of Red Funnel cross-Solent ferries	Committed	<b>11,000,000</b>	Refurbishment of interiors to provide more seating capacity, a superior customer experience including air conditioning, accessibility improvements through new lifts, power points and wireless internet facilities for passengers, and an enhanced catering offer. Red Osprey and Red Falcon have already been refurbished.
1.03	New Terminal Access Road and Public Realm (as part of the Trafalgar Dock works)	Funding sought through LGD	<b>7,599,200</b>	<p>Public realm improvements: Works associated with a 590-metre-long access road; electronic bus information services, and; pedestrian and cycle route improvements.</p> <p>Heritage works: Appointment of heritage consultant; works to historic pump house; renovation of railway lines and bollards; interactive public displays and interpretive boards, and; public access viewing platform.</p> <p>The relocation makes Red Funnel's current site at Royal Pier available for redevelopment as part of the £500m mixed use Royal Pier Waterfront development scheme.</p>
1.04	Re-provision of Red Funnel's Southampton ferry terminal at Trafalgar Dock (like-for-like replacement)	Investment by RPW	<b>16,880,400</b>	Royal Pier Waterfront (Southampton) Ltd's contribution towards like-for-like re-provision of Red Funnel's Southampton ferry terminal building and associated car parking and multideck car parking to support ABP users at Trafalgar Dock, including abnormal costs such as demolition and marine works as well as provisions for relocation of Hythe Ferry.
1.05	Re-provision of Red Funnel ferry terminal at Trafalgar Dock (private sector investment to upgrade)	Investment by Red Funnel	<b>2,300,000</b>	Red Funnel's investment to upgrade their Southampton ferry terminal building and associated car parking at Trafalgar Dock, including: delivery of a larger, landmark terminal building; provision of a new pedestrian access route; improved commuter parking, cycle links and cycle parking, and; improved taxi/private vehicle pick up/drop off facilities.

Proj Ref	Project component	Funding status	Total cost (£m)	Project description
1.06	Delivery of new build housing, commercial floorspace, hotel and leisure facilities at Royal Pier Waterfront (including required strategic on-site infrastructure)	Investment by RPW	480,000,000	<p>Reclamation of 5.7 ha of land from the River Test, including: the 2ha extension and redesign of Mayflower Park; provision of continuous waterfront promenades and piers; social infrastructure including children's play facilities.</p> <p>Delivery of: up to 700 new homes; 145,000 sq ft retail (A1-A5), including 20,000 sq ft of Epicurean Market; 500,000 sq ft of commercial floorspace; 470,000 sq ft of leisure floorspace including hotels (of which 300 rooms to provide four-star accommodation), conference facilities, large casino, a cultural hub, and a civic building; 2,000 parking spaces, and; a consolidated home for the Southampton Boat Show.</p>
2.0	<b>REPLACEMENT AND MODERNISATION OF FLOATING BRIDGE CONNECTING EAST COWES AND COWES</b>			
2.01	Replacement and modernisation of Floating Bridge	Funding sought through LGD	4,685,300	Replacement of floating bridge vessel running between East Cowes and Cowes, which is coming to the end of its economic life. Remodelling of both slipways to separate pedestrian and vehicular traffic. Advance payments system to be incorporated for vehicles and pedestrians, prior to embarking on the bridge.
3.0	<b>REGENERATION OF EAST COWES TOWN CENTRE AND WATERFRONT</b>			
3.01	Cowes Harbour Breakwater	Committed	7,500,000	Construction of a 350-metre-long, detached, rock-armoured breakwater to create a 'sheltered harbour', enabling the development of a new 300-berth marina, and protecting homes, businesses and harbour users from strong winds and sea conditions.
3.02	New Red Funnel terminal building and consolidation of two existing marshalling yards in East Cowes onto one site	Investment by Red Funnel	2,800,000	<p>New Red Funnel terminal building at Seaholme Yard in East Cowes, increasing departure lounge facilities (currently accommodating 60 passengers, served by one retail kiosk), including 650 sq m of new retail floorspace. Red Funnel's business model requires them to make this investment in order to mirror the quality of experience at both sides of the Solent.</p> <p>Consolidation of two existing Red Funnel marshalling yards onto a single site at Dover Road in East Cowes, increasing capacity from 220CEU including facilities for nine drop trailers, to 450 CEU and 28 drop trailers (NB - One ferry = 214CEU). Improvements to pick-up/drop-off facilities. The consolidation makes Red Funnel's current marshalling yards, Trinity Yard and Phoenix Yard, available for redevelopment.</p>

Proj Ref	Project component	Funding status	Total cost (£m)	Project description
3.03	Highways and public realm improvements to Bridge Square, York Square, Castle Street, York Avenue and Link Road in East Cowes	Funding sought through LGD	3,819,900	<p>Highway and public transport improvements including: kerb re-alignments, new traffic signalling and coordination systems; provision of cycle parking; re-aligned parking bays, traffic/junction layout changes in order to separate pedestrians and vehicles throughout the marshalling yard; town centre and Floating Bridge areas, and; improved pedestrian linkages between these areas. Road safety is improved by the removal of the vehicle crossing from Phoenix Yard to Trinity Yard via Castle Street.</p> <p>York Avenue will be one-way eastbound between Castle Street and York Square and two-way between York Square and the junction with Well Road. Two-way traffic will be permitted through York Square to facilitate changes to traffic movements in the town centre. Traffic movements on Ferry Road will also change allowing two-way traffic between Link Road and York Square. The section of Castle Street between York Avenue and Well Road will be closed to vehicles (except for buses and bicycles). There will be two-way traffic on Castle Street between Well Road and Old Road. Dover Road will be closed (stopping up order required) and access will no longer be permitted from Castle Street to the south of Well Road (except for buses and cyclists). This will allow the roundabout at the junction of Dover Road, Well Road and Castle Street to be removed, creating a wider resurfaced pedestrian area. Improvements to public transport interchange.</p> <p>Public realm improvements including: footways and carriageway resurfacing; new lighting and seating, and; landscaping. Upgrading of the Floating Bridge marshalling yard and pedestrian waiting area, enhancing the benefits from the modernisation of the Floating Bridge.</p>
3.04	Delivery of new build housing and commercial floorspace at Trinity Wharf and Trinity Yard	Investment by third party	7,300,000	Release of Trinity Yard from use as a marshalling yard for Red Funnel in 2018 allows for redevelopment to provide 1,850 sq m commercial floorspace at ground floor, plus up to 100 residential units (or equivalent commercial/ hotel floorspace) on upper floors.
3.05	Delivery of new build housing and commercial floorspace at Phoenix Yard	Investment by third party	2,370,000	Release of Phoenix Yard from use as a marshalling yard for Red Funnel in 2018 allows for redevelopment to provide 1,150 sq m of commercial space at ground floor, plus 20 residential units (or 1,150 sq m commercial per floor) on upper levels.

**TOTAL**
**560,353,600**

Source: BBP Regeneration

## Programme Delivery Partners

- 3.8 The sponsors of the Solent Gateways programme are Southampton City Council, Isle of Wight Council, and Royal Pier Waterfront (Southampton) Limited (RPW), in association with Red Funnel Ferries Ltd.
- 3.9 Morgan Sindall Investments Limited was selected as the “developer” for the Southampton component of the programme after a competitive procurement process. It has since formed a joint venture with the Lucent Group, this joint venture is RPW (Southampton) Ltd.
- 3.10 The Floating Bridge and East Cowes packages are being led by Isle of Wight Council, which is working closely with the Homes & Communities Agency (HCA), Red Funnel, and other landowners and developers to regenerate the town centre and waterfront in East Cowes.
- 3.11 These partners have formed a Project Board to steer the delivery of the wider Solent Gateways programme (see Management Case Section 8).

## Interdependencies

- 3.12 A number of interdependencies and linkages have been identified between the programme's project components:
- Redevelopment of Royal Pier Waterfront and Trafalgar Dock:
    - a. Development of the Royal Pier site requires the relocation of Red Funnel's operations, including re-provision of parking.
    - b. Red Funnel has confirmed that their business plan for upgrading the terminal in Southampton depends upon continuity of service throughout the works, as well as mirroring upgrades in East Cowes. This is to ensure there is capacity to meet demand for ferry services and support the future growth of Red Funnel's operations as well as providing for the growing tourist numbers.
    - c. The redevelopment of the Royal Pier area provides critical enabling development to fund costly land reclamation, which in turn ensures no loss of open space at Mayflower Park, as required by planning policy.
    - d. The value for money of this investment is enhanced by achieving a transformational critical mass of development, to create a new waterfront retail and leisure destination.
  - Replacement and modernisation of the Floating Bridge connecting East Cowes and Cowes:
    - a. The Floating Bridge is one of only two vehicular access/egress points for East Cowes, and its replacement and modernisation therefore underpins the ability to secure economic benefits from recent and future investment across the town.
  - Regeneration of East Cowes town centre and waterfront:
    - a. The highways and public realm improvements in East Cowes are dependent upon the consolidation of Red Funnel's marshalling yards onto one site.
    - b. This, in turn, is dependent upon rationalisation of land ownerships in East Cowes, which also enables the delivery of a comprehensive waterfront development scheme spanning Trinity Wharf and Trinity Yard.



- c. Red Funnel has confirmed that their business plan for upgrading the terminal in East Cowes depends upon continuity of service throughout the works, as well as mirroring upgrades in Southampton, to ensure a consistent customer experience.
- d. The value for money of this investment is enhanced by delivering it as part of a comprehensive package – the plans on both sides of the Solent tackle constraints on growth, which will build capacity for increased economic activity on the Isle of Wight.

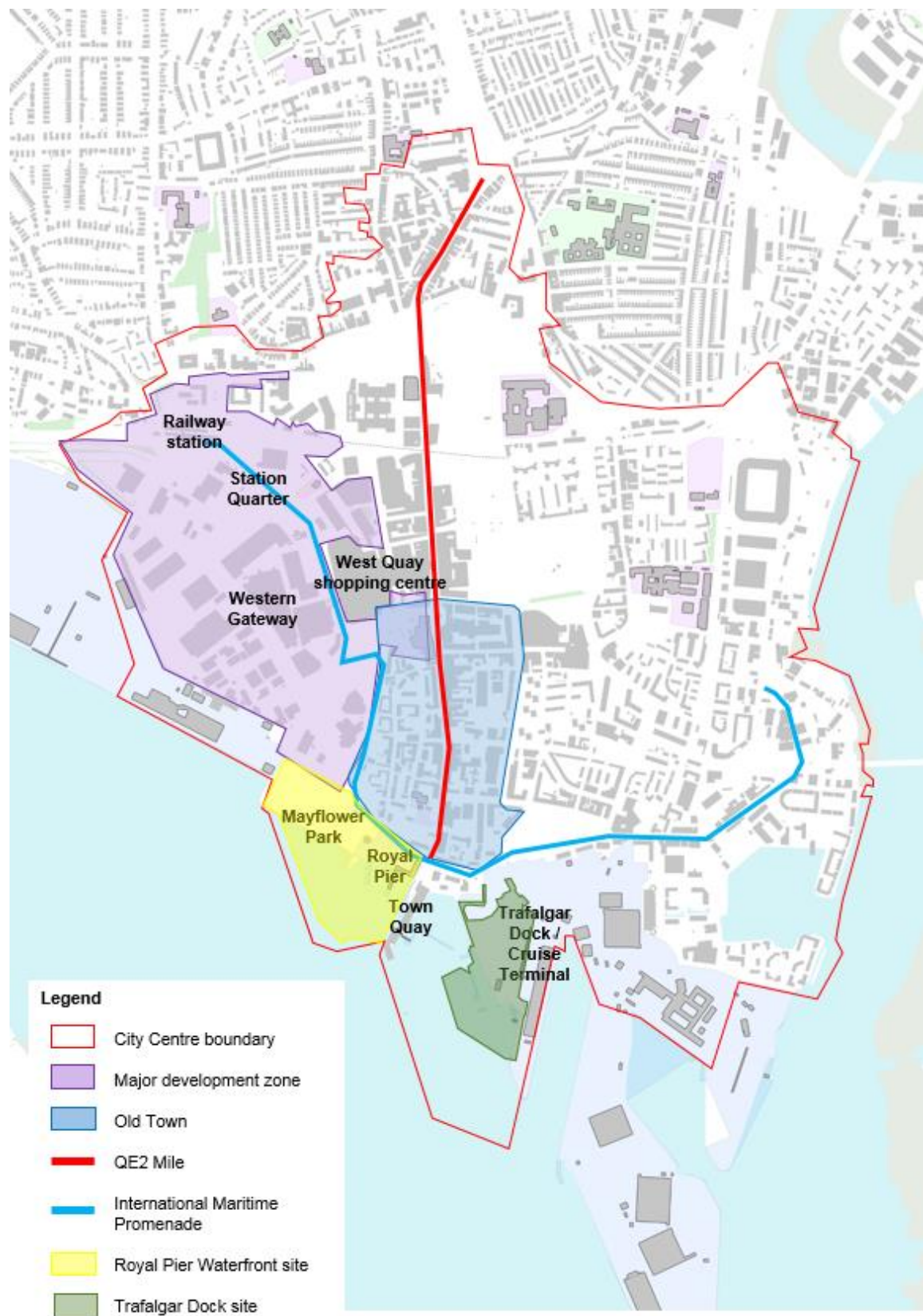
## **Benefits of the Programme**

- 3.13 The benefits of each of the three programme components is described below.

### **Redevelopment of Royal Pier Waterfront and Trafalgar Dock**

- 3.14 The Royal Pier Waterfront scheme has been described as the 'jewel in the crown' of the Southampton city centre masterplan. It is a major comprehensive waterfront development including 700 new homes, 61,803 sq m of commercial floor space, leisure and hotel facilities. The development includes a major enhancement to the Mayflower public park, directly on the waterfront. This project requires land reclamation and is thus dependent on the Red Funnel Ferry terminal move to Trafalgar Dock, which will significantly increase vehicle and passenger capacity and allow for a much larger vehicle marshalling area.

Figure 3.3 – Key sites in Southampton



Source: Source: Contains Ordnance Survey data © Crown copyright and database right 2013

- 3.15 **Trafalgar Dock:** Trafalgar Dock, which currently has restricted access, will be opened to the public allowing access to an extensive area of the City's waterfront. A new access road and shared footway will be constructed and the existing highway junction upgraded. This site will provide a new 'home' for Red Funnel's terminal building, marshalling yard and compound areas as well as a new multi-deck car park to support ABP users. Please also refer to the Project Description Figure 3.2, ref: 1.03.
- 3.16 Enabling infrastructure for the relocation of Red Funnel's Southampton ferry terminal to Trafalgar Dock will enable the Royal Pier Waterfront development and connectivity across the Solent will also be improved as a result of Red Funnel investing to mirror the size and quality of facilities at both ends of their route, enabling further economic growth. The project outcomes include:
- Increase capacity including marshalling yard to 450 Car Equivalent Units (CEU's);
  - Reduce congestion on the adjoining road network;
  - New, state of the art, terminals, with improved interchange;
  - Improved taxi/private vehicle pick up/drop off;
  - Improved commuter parking;
  - Improved cycle links and cycle parking;
  - Improved pedestrian walkway;
  - Meet 'condition precedent' for Royal Pier scheme by freeing up waterfront land for development.

**Figure 3.4 – Royal Pier Waterfront – Before and after**



*Source: Lucent Group*

### **Regeneration of East Cowes town centre and waterfront**

- 3.17 The East Cowes Regeneration project is a major regeneration scheme on the Isle of Wight. East Cowes currently suffers from a poor quality town centre, which is disparate from the esplanade and negatively affected by the major traffic movements. The proposals aim to create a vibrant community with a long-term sustainable future, a revitalised town centre and waterfront, and increased employment opportunities within the marine, retail and leisure sectors. Key components are: The **highways and public realm improvements** will enable the delivery of the East Cowes Project masterplan adopted in 2006 with the following outcomes:
- Increase cross-Solent capacity by accommodating a larger (increasing from 220 to 450 CEUs) Red Funnel marshalling yard and more efficient access and egress;



- Improve the efficiency for all road users of the arrivals and departures to and from the ferry onto the road network;
- Provide for good quality transport interchange, including smooth passage for buses, cyclists and pedestrians;
- Improve the integrity and cohesion of the town centre, re-uniting currently disparate elements;
- Improve the environment including the use of high quality materials;
- Enhance East Cowes as a 'gateway to the island';
- Set out a cohesive waterfront including linkages to the Town Centre;
- Accommodate a mixed balance of land uses.

**Figure 3.5 – Key sites in East Cowes**



Source: Parose Projects

The **Red Funnel terminal**, will secure:

- Creation of a 450 CEU capacity terminal.
- Alignment of East Cowes and Southampton terminal capacity and quality of facilities.
- Unlocking potential for Red Funnel growth and associated private sector investment
- Enhancement of the Gateway to the IOW delivering significant economic benefits.
- Segregation of Southampton and East Cowes / Chain Ferry traffic.
- Enables East Cowes Regeneration to take place creating a modern and appealing destination.

**3.18 Trinity Wharf, Trinity Yard and Phoenix Yard:** The terminal relocation at East Cowes and the associated public infrastructure works will provide the opportunity for a development in the Town Centre to include:

- 140 residential dwellings;
- A 60 Bedroom hotel;
- 1,200 sq m retail (A1-A4);
- Circa £12.5m construction spend.

## Replacement and modernisation of the 'Floating Bridge' connecting East and West Cowes

- 3.19 The current 'chain ferry' is a critical piece of transport infrastructure, providing one of only two vehicular access/egress points for East Cowes that is coming to the end of its economic life within the next two years. Figure 3.6 illustrates the diversion by road via Newport, over 10 miles, which the floating bridge avoids. A summary of the business case for the Floating Bridge is provided in Section 5.

**Figure 3.6 – Location of congestion pinchpoints / Floating Bridge closure alternative vehicle route**



Source: Isle of Wight

- 3.20 The project will result in the following outcomes:

- Reduced queuing times;
- Increased crossings per day;
- Shorter crossing times;
- Greater capacity for vehicles;
- Reduced running costs;
- Improved passenger accommodation;
- Reduced carbon emissions;
- Improved energy efficiency;

- Less congestion in and around Newport;
- Increased financial and operational security;
- Separation of vehicles and passengers;
- Introduce opportunities to advertise local business and attractions;
- Supporting the economic well-being of the towns;
- Introduce new technologies for payment: smart/proximity cards, mobile phone.

3.21 The key gross benefits from the Solent Gateways programme are summarised below:

**Figure 3.7 – Gross benefits arising from development schemes**

Development scheme	Housing (units)	Commercial floorspace (sq m)	Retail floorspace (sq m)	Tourism and leisure facilities
Royal Pier Waterfront	Up to 700	48,327	13,476	43,681 sq m of leisure floorspace including hotels (of which 300 rooms to provide four-star accommodation), conference facilities, large casino, Cultural Hub, and Solent Sky attraction
Phoenix Yard, East Cowes	40	-	-	n/a
Trinity Wharf and Trinity Yard, East Cowes	100	- 1,242	1,219	n/a
<b>Total</b>	<b>840</b>	<b>47,085</b>	<b>14,695</b>	<b>n/a</b>

Source: BBP Regeneration analysis

## 4. The Strategic Case

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- 4.1 This section describes the Strategic Case – which assesses whether the spending proposal is predicated upon a robust and evidence based case for change has a strategic fit and SMART objectives.

### Policy Context

- 4.2 The scheme will contribute to Solent LEP growth targets and is strategically aligned with the LEP's high level objectives:
- Maximise economic impact of marine assets
  - Unlock critical employment sites
  - Provide new housing
  - Support SME's
  - Unlock innovation-led growth
- 4.3 The Royal Pier Waterfront scheme is strategically important to the ongoing renaissance and economic well-being of Southampton and has been a longstanding aspiration of Southampton City Council.
- 4.4 A key objective of the Isle of Wight's Core Strategy is to reduce the need to travel, to improve accessibility across the Island and maintain functional transport links with the mainland.
- 4.5 The Programme is also supported by a range of other strategic policy documents, summarised in the figure below:

Figure 4.1 – Strategic policy alignment

SOU	Solent LEP (2014) Strategic Economic Plan	Policy objectives						
		SO1: 1.Maximise the delivery of new homes and the creation of new jobs	SO2: Improve the capacity and resilience of services connecting Southampton and the Isle of Wight, including critical freight services. Enhance the arrival and interchange experience for national and international users of these key gateways	SO3: Increase the number of visitors to Southampton and the Isle of Wight, especially those staying overnight. Encourage visitors to spend more, stay longer and come back more often	SO4:Address physical and visual barriers north-south between Southampton City Centre and Southampton waterfront, and east-west between East Cowes town centre and East Cowes waterfront	SO5:Provide direct pedestrian access and reduce vehicular journey times between the two town centres of East Cowes and Cowes, to ensure their future vitality and competitiveness in a global tourism market	SO6:Minimise congestion on local road networks, particularly where this risks negatively impacting the vitality of town centres	SO7: Bring a vibrant mix of uses and continuous public access to under-utilised waterfront areas in Southampton and East Cowes, whilst preserving the role of Mayflower Park as an important public open space and enhancing its role as the main site of the annual Southampton International Boat Show.
SOU	Provide new housing to support our growing workforce.	✓						✓
	Unlock critical employment sites to enable the Solent businesses, particularly the marine, maritime and advanced manufacturing sectors of their economy		✓		✓			✓
	Provide effective support to our small and medium-sized enterprises (SMEs) to enable them to grow – including marine and maritime SMEs		✓					✓
	Maximise the economic impact of our economic assets in the area and sectors with the potential for growth.		✓	✓		✓	✓	✓
	Strategic Priority - Enabling infrastructure priorities including land assets, transport and housing, reducing flood risk and improving access to superfast broadband.		✓			✓	✓	
SOU	Local Plan Review (updated 2015)	✓		✓				✓



The land is safeguarded as a major site or area; redevelopment should follow the policy principles outlined in the Local Plan.							
<b>Adopted Core Strategy (amended 2015)</b> A growing regional centre within a prosperous South Hampshire Strong and distinctive neighbourhoods – a good place to live An environmentally sustainable city	✓		✓	✓	✓	✓	✓
<b>City Centre Action Plan (adopted 2015)</b> Transformational change in the city centre will be achieved through: <ul style="list-style-type: none"> <li>• upgrading the fabric of the existing centre;</li> <li>• creating a higher density mixed use business district on the western edge of the centre (the Major Development Zone), linking the Central Station to the Royal Pier Waterfront;</li> <li>• specific flagship developments across the centre – including the Station Quarter, Western Gateway, Royal Pier Waterfront, Heart of the City and Itchen Riverside;</li> <li>• improving links throughout, so the city centre becomes, and is perceived to be, a unified whole – including those links between the Central Station, main shopping area, a new high quality waterfront and parks.</li> </ul>	✓		✓	✓	✓	✓	✓
The Royal Pier Waterfront, designated as a Major Development, and the Old Town are largely outside the Major Development Zone (MDZ) but development and links within these quarters need to be closely integrated with the MDZ.	✓			✓	✓		
Strategic views of the: Mayflower Park from the Town Walls (from The Arcades and Cuckoo Lane area) and Old Town from Mayflower Park, should be protected.				✓			
Land at Mayflower Park and Royal Pier will be developed for a major mixed use development. The following uses are acceptable: cultural and leisure attractions which could include a large casino; food and drink, small-scale retail (under 750 sq m gross) or retail development (A1 uses including speciality retail); employment use classes B1 (a) and (b); residential and hotel uses. The redevelopment will include public open space at Mayflower Park and consider opportunities for a water basin and moorings.	✓		✓	✓			✓
The Red Funnel Isle of Wight Car Ferry occupies a key position between Royal Pier and Town Quay. In order to deliver a comprehensive scheme and maximise the potential of the site, this should be relocated to an alternative position preferably within the Port.		✓					
Key connections should be created to: <ul style="list-style-type: none"> <li>• Provide high quality pedestrian crossings across Town Quay road to reduce severance between the city centre and waterfront</li> <li>• Maintain appropriate road access for the Port</li> </ul>				✓	✓	✓	

	<ul style="list-style-type: none"> <li>To the Red Funnel ferry terminal, if relocated The Station Avenue, the International Maritime Promenade, QE2 Mile route</li> </ul>							
Masterplan for Renaissance (2013)	<p>The Royal Pier Waterfront is one of Seven Very Important Projects, proposed to be the focus of the Plan for the next 15 years or more.</p> <p>The Vision is supported by seven key themes which are developed within the Plan. These are A Great Place for Business; A Great Place to Visit; A Great Place to Shop; A Greener Centre; A Great Place to Live; Attractive and Distinctive Centre; and Easy to Get About.</p>	✓	✓	✓	✓		✓	✓
The Isle of Wight Council (2013) Core Strategy (adopted March 2013)	<b>SP1 Spatial strategy:</b> Key Regeneration Areas include Medina Valley (Newport, Cowes and East Cowes)	✓	✓	✓	✓	✓	✓	✓
	<b>SP2 Housing:</b> The strategy provides for 8,320 dwellings for the Isle of Wight in the period 2011-2027, which is an average of 520 dwellings per year.	✓						
	<b>SP3 Economy:</b> Economic growth on the Island over the plan period will be focussed upon employment, retail and high quality tourism, with a target of creating around 7,550 new jobs.	✓	✓	✓				
	<b>SP4 Tourism:</b> The Council will support sustainable growth in high quality tourism and proposals that increase the quality of existing tourism destinations and accommodation across the Island.		✓	✓	✓	✓		
	<b>SP7 Travel:</b> The Council will support proposals that increase travel choice, provide alternative means of travel to the car and help reduce the impact on air quality and climate change. The Council will support proposals that maintain the current choice of routes and methods of crossing the Solent to ensure future flexibility and deliverability of service. Proposals to improve key interchange areas that link the Island to the mainland will be supported.		✓			✓	✓	
Hampshire Local Transport Plan 2011 -2013	<b>Policy A:</b> Develop transport improvements that support sustainable economic growth and development within South Hampshire.		✓					
	<b>Policy B:</b> The scheme is coordinated with the Highways Agency, Network Rail, ports and airports to ensure reliable access to and from South Hampshire's three international gateways for people and freight.		✓					
	<b>Policy C:</b> The scheme optimises the capacity of the highway network and improve journey time reliability for all modes.		✓					
	<b>Policy D:</b> The schemes will help achieve and sustain a high-quality, resilient and well-maintained highway network for all.		✓					
	<b>Policy E:</b> The scheme will deliver improvements in air quality through encouragement of alternative means of transport and/or reduction of congestion.					✓	✓	

	<b>Policy F:</b> The scheme develops or supports strategic approaches to management of parking to support sustainable travel and support economic development.							✓
	<b>Policy G:</b> The scheme improves road safety particularly in congested areas.					✓	✓	
	<b>Policy H:</b> The scheme promotes active travel modes and develop supporting infrastructure through pedestrian/cycle links.					✓		
	<b>Policy I:</b> The scheme encourages private investment in bus, taxi and community transport solutions, and where practical, better infrastructure and services.		✓					
	<b>Policy J:</b> The scheme further develops the role of water-borne transport within the TfSH area and across the Solent.		✓					
	<b>Policy L:</b> The scheme works with Local Planning Authorities to integrate planning and transport.		✓				✓	✓
	<b>Policy M:</b> The scheme develops and delivers high quality public realm improvements.				✓			✓
Transport for South Hampshire (2013) Isle of Wight Transport Delivery Plan 2011-26	<b>Objective A</b> - Enhance and maintain our highway assets		✓				✓	
	<b>Objective B</b> – Maintain and improve journey time reliability and predictability for all road users		✓			✓	✓	
	<b>Objective C</b> – Protect and enhance the environment and quality of life				✓	✓	✓	✓
	<b>Objective D</b> - Improve road safety and health						✓	
	<b>Objective E</b> - Reduce the need to travel					✓	✓	
	<b>Objective F</b> – Promote Travel Choice					✓		
Transport for South Hampshire Isle of Wight Transport Delivery Plan 2011-26	Strategic Approach 1 - Strengthening existing urban areas		✓	✓	✓	✓	✓	
	Strategic Approach 2 - Raising the quality of public transport and alternatives to car		✓			✓		
	Strategic Approach 3 - Increased promotion of travel options		✓			✓	✓	
	Strategic Approach 4 - Improvement to the highway network for biggest economic gains					✓	✓	
Transport for South	<b>Policy A:</b> To develop transport improvements that support sustainable economic growth and development within South Hampshire		✓					
	<b>Policy B:</b> Work with the Highways Agency, Network Rail, ports and airports to ensure reliable access to and from South Hampshire's		✓					

	three international gateways for people and freight							
	<b>Policy C:</b> To optimise the capacity of the highway network and improve journey time reliability for all modes		✓					
	<b>Policy D:</b> To achieve and sustain a high-quality, resilient and well-maintained highway network for all		✓					
	<b>Policy F:</b> To develop strategic sub-regional approaches to management of parking to support sustainable travel and promote economic development							✓
	<b>Policy G:</b> To improve road safety across the sub-region					✓	✓	
	<b>Policy H:</b> To promote active travel modes and develop supporting infrastructure					✓		
	<b>Policy I:</b> To encourage private investment in bus, taxi and community transport solutions, and where practical, better infrastructure and services		✓					
	<b>Policy J:</b> To further develop the role of water-borne transport within the TfSH area and across the Solent		✓					
	<b>Policy L:</b> To work with Local Planning Authorities to integrate planning and transport		✓					
	<b>Policy M:</b> To develop and deliver high-quality public realm improvements					✓		✓
	<b>Policy N:</b> To safeguard and enable the future delivery of transport improvements within the TfSH area		✓					

# Demographics

## Southampton

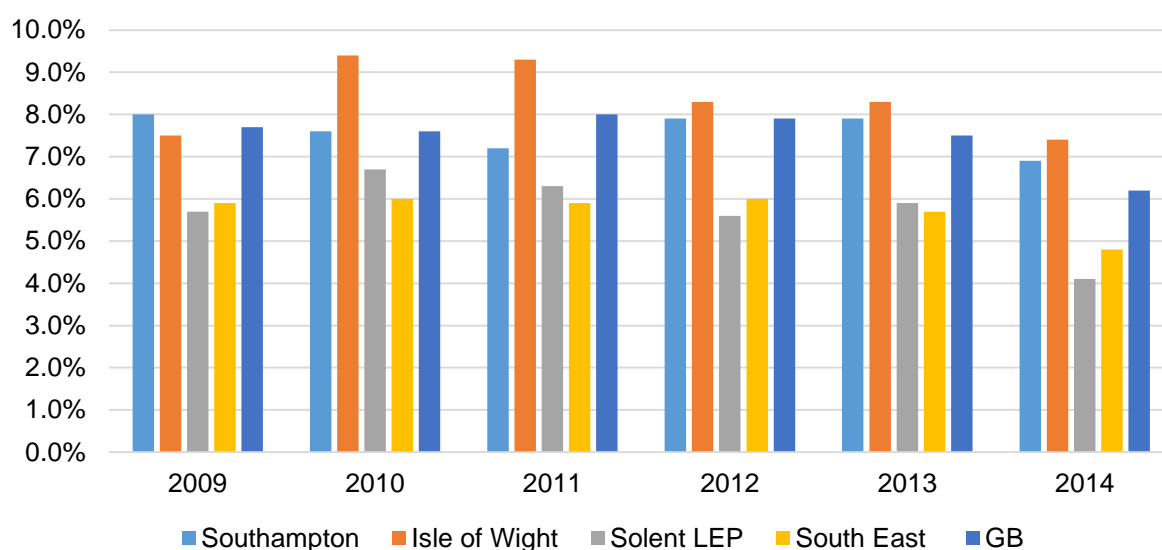
- 4.6 The Southampton City Council area has a population of 242,100<sup>1</sup>. Southampton supports a conurbation catchment of over 750,000 people who look to the city for shopping, work and leisure. The Port of Southampton is extremely important to the local and national economy and forms a key part of the supply chain for UK manufacturing industry, being just 20 nautical miles from the international shipping lanes of the English Channel.
- 4.7 The population of Southampton is projected to rise across all age groups in the next 25 years. Of particular interest, is the rise of 9,400 people (14%) in the 15-29 years-old age group. There are also notable rises in older age groups, with those aged 50-64 years-old projected to rise by 4,900 (14%), those 65-75 years-old by 6,400 (39%) and over 75 years by 10,300 (66%). In the residential sector, there is now high demand for rental property and record low new build rates.
- 4.8 There are currently 98,254 households, which are projected to increase. The Department for Communities and Local Government's latest household population projection growth estimates an increase of 37,000 households (16%) in Southampton by 2037. This projection shows demand for roughly 1,000 new households for each year of the projection period<sup>2</sup> and is above the 13% average increase for the Solent LEP area. The Core Strategy proposes that approximately 5,450 dwellings will be built in the city centre up to 2026 which is about a third of the city's new housing supply.
- 4.9 The Indices of Multiple Deprivation (IMD) 2010 provide a range of measures relating to various aspects of deprivation including income, employment, health, education and skills, barriers to housing and services, crime and quality of the living environment. The overall index of multiple deprivation presents a combined weighted average of the above. Southampton ranks as the 81<sup>st</sup> most deprived out of 326 English local authorities, and is therefore amongst the 25% most deprived local authorities in England, with significant issues in education, training and crime.
- 4.10 The unemployment rate is consistently higher than the combined LEP area and regional averages and often higher or on par with national averages. Over the period 2009-2014, the unemployment rate averaged 7.6% in Southampton, compared with 5.7% in the Solent LEP area and the South East and 7.5% in the whole of Great Britain. This suggests the persistence of insufficient number of jobs in Southampton.

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<sup>1</sup> ONS (2013)

<sup>2</sup> Department for Communities and Local Government (2015) Household projections for England and local authority districts

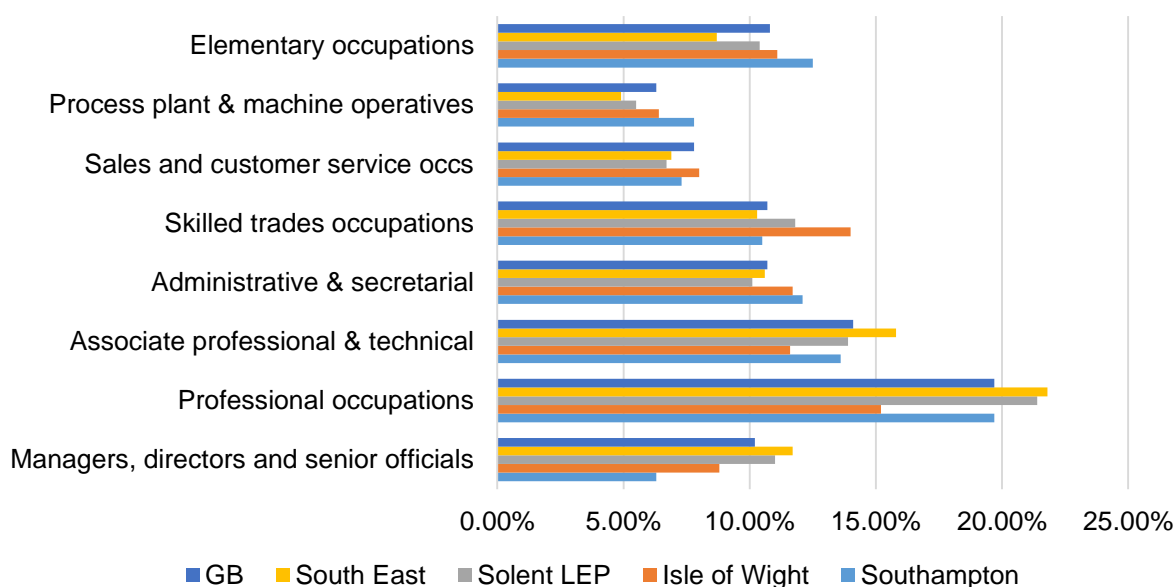
Figure 4.2 – Unemployment rate



Source: Nomis (2014) Annual Population Survey

- 4.11 Southampton has a lower proportion of people in senior and managerial positions, compared to the Solent LEP, regional and national averages. There is a relatively high proportion of people in Professional Occupations, whereas the proportion of people in Elementary occupations exceeds the averages in the comparable areas.

Figure 4.3 – Occupational structure



Source: Nomis (2014) Annual Population Survey

- 4.12 The total estimated number of employees was 109,300 in 2013, according to the BRES data, across a variety of sectors with particular strengths in the Health, Education, Retail and Business Services sectors.
- 4.13 According to ONS data Southampton has a weaker business birth/ death ratio in the period 2009-2013 than the South East and Great Britain averages, which means that more businesses fail for every new business start-up in Southampton than they do across the region or country.

Figure 4.4 – Business formation

Year	Southampton business start-ups	Southampton business failure	Southampton start-up/failure ratio	Isle of Wight start-up/failure rate	South East start-up/failure ratio	Great Britain start-up/failure ratio
2009	590	860	0.69	0.72	0.85	0.85
2010	660	810	0.81	0.80	0.96	0.95
2011	750	670	1.12	0.83	1.14	1.14
2012	750	775	0.97	0.79	1.06	1.07
2013	980	735	1.33	1.31	1.39	1.46

Source: ONS (2014) *Business Demography*

- 4.14 The average weekly gross resident pay is £487, which is somewhat below the weekly gross workforce pay of £547, or the national average of £520.8.
- 4.15 In terms of productivity, a key measure in the national economy going forward, Southampton has a lower GVA per filled job of £39,461 compared to the wider Hampshire area, according to the latest available data for 2012. Although Southampton's GVA per filled job outperforms Portsmouth, there is no steady pattern of increase over the period 2007 – 2012.

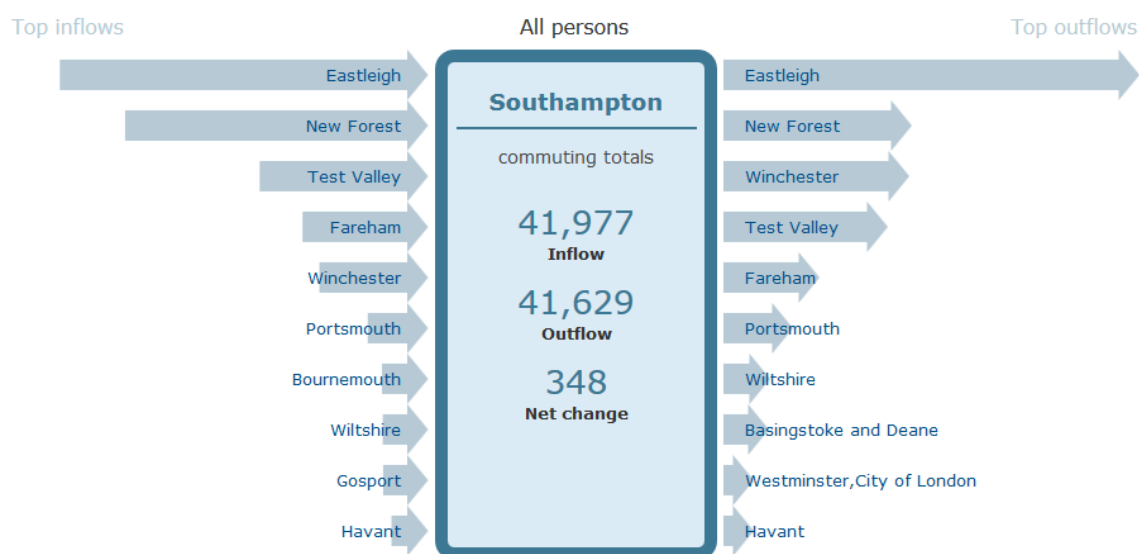
Figure 4.5 – Productivity per filled job

Hampshire and IoW	2006	2007	2008	2009	2010	2011	2012
Portsmouth	£33,385	£35,927	£36,507	£35,086	£38,794	£35,653	£37,518
Southampton	£37,588	£40,564	£40,508	£39,317	£39,143	£40,517	£39,461
Isle of Wight	£29,021	£28,885	£31,753	£32,775	£34,578	£33,675	£34,006
Hampshire CC	£39,743	£41,826	£43,196	£44,517	£44,981	£44,705	£45,701

Source: ONS (2014) *Sub-regional productivity hours and jobs*

- 4.16 Southampton experiences positive net commuting, although net outflows of workers commute to Eastleigh and Winchester. Commuting patterns indicate that the Solent LEP labour market is largely self-contained, which means that workers' income is more likely to be retained within the Solent LEP area, given that the vast majority live and work within the same geography.

**Figure 4.6 - Location of usual residence and place of work - Southampton**



Source: ONS (2011) Census

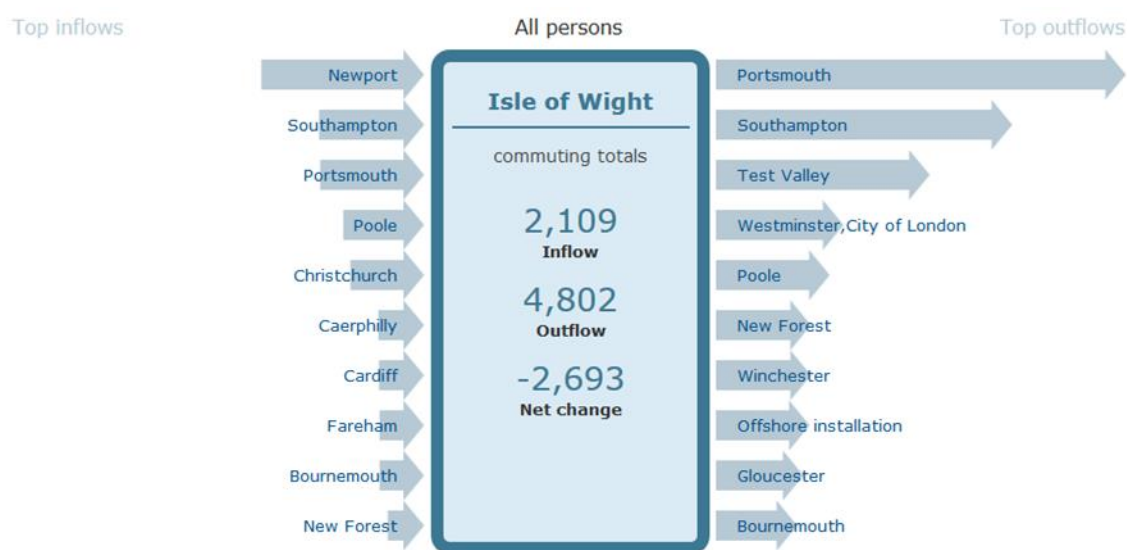
- 4.17 Southampton's socio-economic baseline position indicates that the area is facing a number of socio-economic challenges including low economic activity rates, high levels of unemployment, weak business demographics and relatively high levels of multiple deprivation. Against this background, the Port of Southampton and the marine sector in general, as well as the tourist and retail sectors are valuable economic assets and key drivers for the local and sub-regional economies to generate growth in jobs and GDP.

### Isle of Wight

- 4.18 The Isle of Wight, is a unitary authority which has a population of 138,400, 58.4% of which are within the working age group. There are currently 61,857 households on the Island with the Department for Communities and Local Government's household population projection estimating an increase of 14,000 households (10%) on the island by 2037. This projection is for roughly 1,000 new households for each year of the projected period and is below the Solent LEP average percentage increase.
- 4.19 The unemployment rate on the Island has been consistently very high, compared to Southampton as well as the whole LEP area's average.
- 4.20 Similarly to Southampton, the Isle of Wight has a weaker business birth/ death ratio compared to the South East and Great Britain averages with a marked improvement in 2013 when this ratio was in favour of a net positive business formation.
- 4.21 Due to the high level of self-containment the average weekly gross resident pay of £459.5 is broadly in line with the workforce pay of £435.9, which is almost one fifth less than the South East average of £541.4.
- 4.22 The stronger economic performance and wage growth of jobs on the mainland results in negative out-commuting. Over 90% of the Island's residents who are in employment work on the Island. Of those who commute off the Island the main location of employment are Portsmouth and Southampton - the only two major settlements with direct links to the Island.



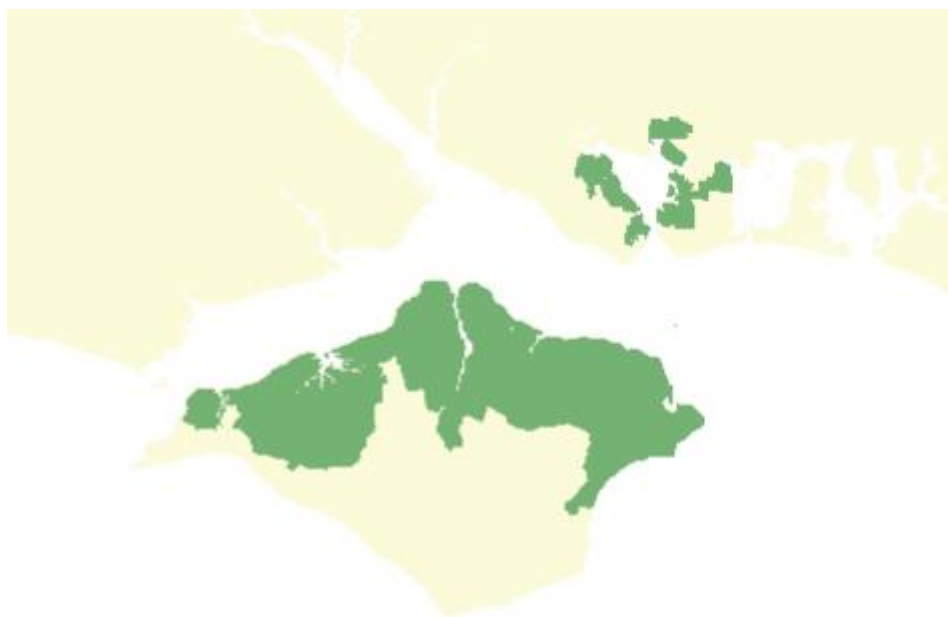
**Figure 4.7 – Location of usual residence and place of work – Isle of Wight**



Source: ONS (2011) Census

- 4.23 The Islands age structure also has a high percentage of retirement age population. Coupled with low levels of employment (a factor of a seasonal economy) the Island has a high dependency rate compared to the sub-region and wider region.
- 4.24 The separation of the Island not just precludes market activity but also the ability for residents to access further education. As a result the Island has a relatively low skilled population, which itself has resulted in lower paid, unskilled employment being more prevalent on the Island.
- 4.25 The productivity on the Isle of Wight, measured by GVA per filled job in 2012 (£34,006), is notably below the neighbouring Southampton and Portsmouth, as summarised in Figure 4.5.
- 4.26 The European Commission has approved parts of Gosport, Portsmouth and the Isle of Wight for inclusion in the 2014-20 Assisted Areas Map based on economic need and economic opportunity. This status makes local businesses eligible to bid for additional funding and tax breaks to create jobs, invest in new premises or machinery and grow. Programmes in England that offer such regional aid include the Regional Growth Fund and the Advanced Manufacturing Supply Chain Initiative.

Figure 4.8 – Assisted Areas Map 2014-2020 (shown in green)



Source: Department for Business, Innovation and Skills (2014)

- 4.27 The Isle of Wight is a unique economy with viability challenges resulting from major infrastructure and physical barriers, precluding it from many of the markets it seeks to service and gain employment from. As a result there is a significant self-containment of both jobs and workforce as well as economic markers far lower than comparable areas on the mainland.

## Economy

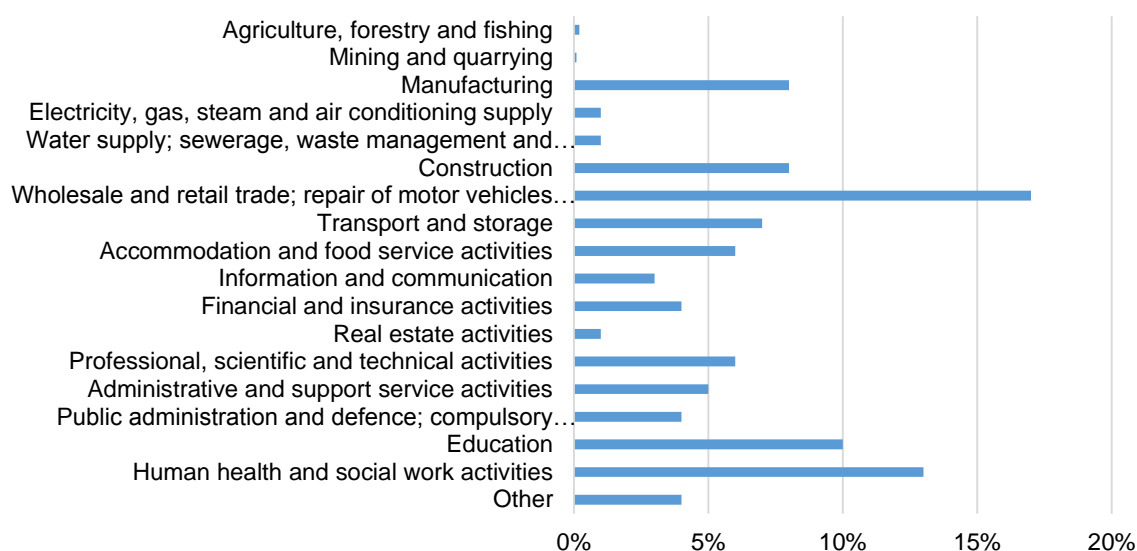
### Southampton

- 4.28 Southampton's economy is dominated by a successful Port of Southampton, the retail and business assets of the city centre that play a regional role, higher education and the health sector. As a consequence a significant amount of employment is to be found in the public sector. The city acts as the regional centre for a populous catchment area that extends into South Wiltshire, East Dorset, the coastal strip between Bournemouth and Chichester. In recent years the city has suffered a number of major job losses including the closure of the Ford Transit plant and the announcement by HSBC that they are relocating from the city.
- 4.29 The tourist industry comprises 9.4% of all employment in the City (average for 2011-2013)<sup>3</sup>, which makes an important sector for the local economy.

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<sup>3</sup> ONS (2015) Tourism Atlas

**Figure 4.9 – Jobs by industry in Southampton**



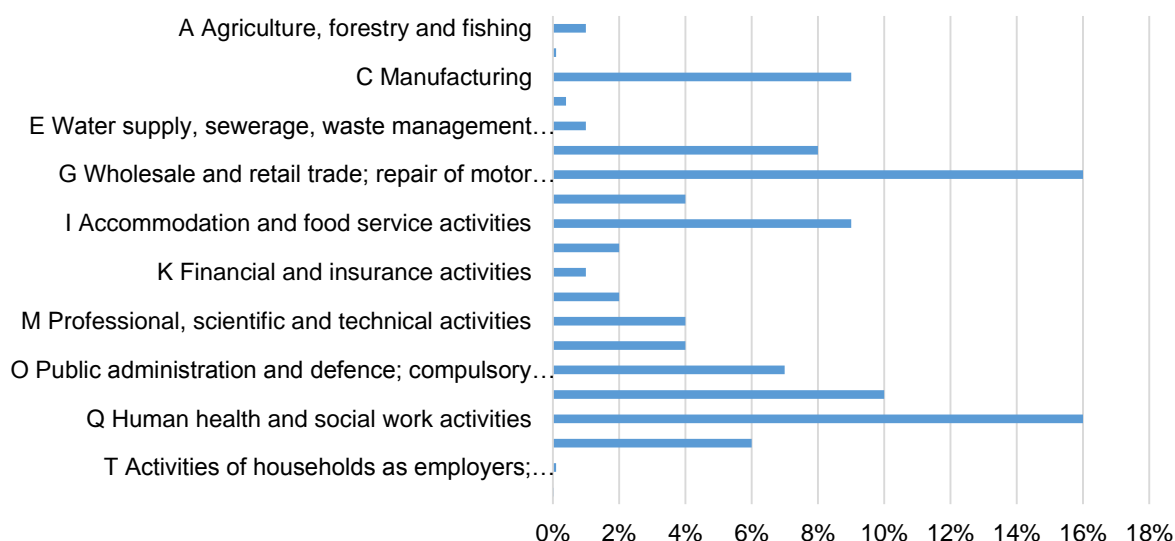
Source: ONS (2013) Census 2011

## Isle of Wight

- 4.30 There are 59,299 jobs on the island according to the latest Census 2011, most of which are accommodated in the Public sector and in the Service and Hospitality industries. The significant reliance on public sector jobs as well as service based and hospitality related employment. The high percentage of jobs in the public sector usually reflects a weaker private sector, parts of which may-be under-performing. This is likely to be the case in the Isle of Wight due to the physical separation from the wider national and regional markets.
- 4.31 The Tourism sector generates a high level of jobs – around 12.8%<sup>4</sup> of all jobs on the Island are in Tourism. However, these are generally low paid, seasonal and with a high proportion of part time jobs. Of those employed on the Island approximately 40% are in part-time roles. This proportion is higher than all the wider comparator areas and is partly linked to the tourism economy on the Island, where part-time roles are more prevalent than in other industries. This contributes to a slightly lower value per job and lower output than the national and regional comparisons.

<sup>4</sup> ONS (2015) Tourism Atlas

Figure 4.10 – Jobs by industry on the Isle of Wight



Source: ONS (2013) Census 2011

## Retail, Leisure and Tourism

### Southampton

- 4.32 Southampton's wide retail catchment covers a large resident population of 1.4 million within its principal shopping catchment and annually spends over £4.9 billion (59% of all non-grocery retail spend in Southampton)<sup>5</sup>. Southampton has a strong retail position with its main competitor being Portsmouth, albeit with a much smaller market share. However, it is believed that the current offer needs to be further strengthened in order for Southampton to remain the primary retail centre in the region.
- 4.33 The Experian Goad survey of Southampton city centre (Central) (February 2010) identifies a total of 245,350 sq m of ground floorspace for retail trade and services, across 589 units. The centre has an above average representation of comparison retailers, the proportion of convenience and service units in the city is below the national average. Comparison retailing is clearly dominant over other uses in the city, comprising approximately 60% of space. There are four managed shopping centres in the city centre, and the proportion of total managed retail floorspace is high<sup>6</sup>.
- 4.34 Data from EGI shows that despite Southampton's role as a regional retail destination, the proportion for most of the types of stores in the City is below the average for Great Britain. This is notable in the main Clothes and Accessories sector. Service units such as Estate Agents, Financial services and Travel agents have better local representation than the national averages.
- 4.35 Leisure services in Southampton are generally consistent with the national average, with a strong representation of restaurants, cafes, bars and nightclubs, hotels and sports and leisure facilities.

<sup>5</sup> Hammerson data (2015)

<sup>6</sup> GVA (2011) Southampton City Council and Eastleigh Borough Council Retail Study

- 4.36 Southampton is ranked 21st in the VenueScore Top 50, which presents the key differences between shopping venues across the UK shopping cities, for the period 2014 to 2015. Southampton scored highest for Fashion retail orientation, moderate for Food retail orientation and modest for Tourist orientation. The city centre has a dominant retail position with 30% of the conurbation's wider retail market, in terms of shop offer, and has a lower overall provision of multiple retail relative to their affluence-weighted populations, thereby appearing relatively under-shopped when compared against other major conurbations.
- 4.37 A critical industry within the maritime sector in the area is the growing international cruise industry. The unique double tides allow the world's largest ships easy access to the Port of Southampton. It is the busiest cruise port in the UK and has been voted the UK's best cruise departure port by Cruise Critic UK for six years running. Leading cruise operators, including P&O Cruises, Cunard Line, Princess Cruises, Royal Caribbean International, Fred Olsen Cruise Line, and Saga Holidays are all frequent visitors to Southampton. Each month of the year offers different destinations including cruises to the Mediterranean, Baltic, Caribbean, Norwegian Fjords, Far East & Australia, South America and World Cruises.
- 4.38 Southampton's cruise industry draws in excess of a million passengers each year, representing over 450 cruise calls in 2015. Southampton based cruise ships generate an estimated £500m a year for the local economy and the industry is one of the biggest employment sectors in the region. Increasingly too, the city of Southampton is becoming a cruise destination in itself. Since March 2013 AIDA (the Carnival Cruises' brand focused on the German market) has been bringing German tourists to the city. A total of 18 visits to Southampton took place over the period March-December 2014 and brought 40,000 passengers to the city. From 2015 these numbers will increase to 200,000 annually.
- 4.39 There is an under supply of leisure facilities in the region and the proposed super casino at Royal Pier Waterfront offers a good opportunity for a destination leisure. Southampton's visitor attractions and activities offer can also be improved to draw more people into the city. Currently, there are a few galleries and museums, including the City Art Gallery, the SeaCity Museum and the Tudor House and Garden. In addition, the first of the city's 7 'very important projects' to be completed is a new arts complex, which includes residential accommodation and restaurants. The restaurants and apartments are due to open in autumn 2015 and the arts complex in autumn 2016.
- 4.40 There is a number of theatre and music venues, including Mayflower Theatre and Southampton Guildhall as well as three cinemas in the City Centre. Southampton also has a range of heritage assets, including SS Shieldhall (Southampton's steamship) the Southampton Tram Group and Dunkirk Little Ships Workshop, the Old Town Wall, The Old Cemetery and the Waterfront.

**Figure 4.11 – Tourist economy in Southampton and Isle of Wight**

	Southampton	Isle of Wight
Total Main Jobs in Tourism (average 2011-2013)	13,800	7,100
Total Main Jobs in Tourism as a percentage of all Main Jobs (average 2011-2013)	9.4%	12.8%
No of Tourism Enterprises (2013)	785	780
No of Tourism Enterprises as a percentage of all enterprises (2013)	11.0%	14.8%
Inbound Tourism Total Night Stays (average 2011-2013)	985,000	470,000

Inbound Total Average tourism expenditure (average 2011-2013)	£53.9m	£31.9m
Domestic Tourism Total Night Stays (average 2011-2013)	2,085,000	4,339,000
Domestic Overnight Total Average Tourism Expenditure 2011-2013	£135.0m	£235.0m
Domestic Day Visits (average 2011-2013)	6,600,000	4,500,000
Domestic Day Visit Expenditure (average 2011-2013)	£251.0m	£132.0m

Source: ONS (2015) *Tourism Atlas*

- 4.41 Southampton compares positively to Portsmouth for the number overnight trips and expenditure but it is largely outperformed by the Isle of Wight and Brighton and Hove:

**Figure 4.12 - Domestic overnight visits by county or unitary authority (3-year averages based on years 2011-2013)**

Destination	Number of trips - All overnight trips ('000s)	Number of nights - All overnight trips ('000s)	Expenditure - All overnight trips (£, millions)
Brighton and Hove	1,055	2,558	186
Portsmouth	728	2,136	113
Southampton	764	2,085	135
Isle of Wight	1,002	4,339	235

Source: ONS (2015)

- 4.42 The regeneration of the city centre with a number of significant sites, including the Royal Pier Waterfront and West Quay Watermark, is a significant opportunity to improve the attractiveness to visitors, which will maximise the economic impact of foreign tourists that visit Southampton.
- 4.43 The Royal Pier Waterfront development is critical to reconnecting the City Centre with the waterfront and providing a prime venue for waterfront living, employment and leisure currently lacking from Southampton's offer despite it being a maritime city. With an increase in hotel and leisure facilities close to the Port, the viability of the Royal Pier Waterfront development is also linked to the ongoing expansion of the cruise industry.
- 4.44 The Royal Pier Waterfront development will also be designed to continue to host the Southampton International Boat Show, which is currently one of the top ten in the world and has become the biggest water-based event of its type in Europe. Maintaining the show is important to the local economy generating substantial demand for hotel accommodation and is a key contributor to the strong hotel performance in the City Centre, allowing hotels to 'event price' at full occupancy for a 10-day period every September. It also offers prestige and highlights Southampton as a centre of maritime excellence.
- 4.45 The delivery of Royal Pier is integral to supporting Southampton's future economic growth. Failure to unlock this strategic waterfront site will limit the potential for growth in the number of jobs, homes, leisure and retail attractions, and hotel beds thus restricting Southampton's ability to compete with other waterfront cities.

## Isle of Wight

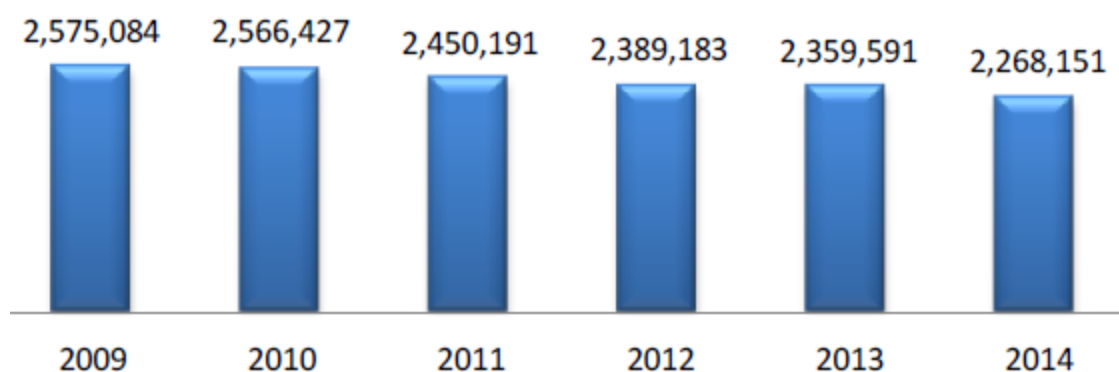
- 4.46 The dominant shopping destination on the Island is Newport, particularly for comparison goods as other centres have struggled to maintain an attractive comparison goods sector. For example, it now attracts over 50% of all shopping trips for clothing and shoes, and in all other categories of town centre shopping trips, it is a dominant destination.
- 4.47 Whilst there continues to be leakage of spending on comparison goods to the mainland, this has reduced slightly and as a strong tourist destination, there continues to be an inflow of expenditure on comparison and convenience goods. The highest proportion of leakage from the Island to stores and centres on the mainland is reported in the Clothes/Shoes retail category, which accounted for some 8.8% of all trips. Southampton (2.8%) and Portsmouth (1.6%) were the main centres that residents visited<sup>7</sup>.
- 4.48 East Cowes is mainly a local centre with just 39 units in 2009. 46% were in retail use and 83% of those were in comparison use and 17% in convenience. Vacancy rates in the centre have increased to 17% in 2014 (from 10% in 2009), which is considerably above the average for the Island and the national average. This is evidence of the pressures that the town is facing. Some 5% of the units are occupied as charity shops<sup>8</sup>.
- 4.49 The ferry terminal is both an asset and a weakness, it brings people to the town and there should be opportunities to take advantage of their spending power, but this is lost and all that the town seems to get is traffic congestion. A lack of parking is seen as a major constraint on the town's potential. The shabby appearance of a number of buildings doesn't provide a good first impression. The centre needs to diversify and widen its retail and leisure offer in order to capture more of the tourist spend.
- 4.50 West Cowes has a strong retail base focused on tourists and sailing visitors with 177 units, of which 46% were in retail use, with leisure the next main land use at 31%. With the retail sector, comparison dominates with approximately 78% of all units, and convenience at 22%. Vacant stock in 2014 remains at the 2009 level of 7% against a national average of 10%. Cowes. There is an equally strong leisure based offer including cafes, bars and restaurants.
- 4.51 Tourism is one of the Island's most important sectors. Growing the economy, and specifically the visitor economy, has been identified as one of the Isle of Wight Council's six priorities in its Corporate Plan 2014-17. One of the declared outcomes within this priority is, "developing and promoting the Island's tourism offer to better meet the needs of core and potential visitor markets and grow the visitor economy".
- 4.52 The total number of visitors has been steadily decreasing since 2009 as shown in the figure below:

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<sup>7</sup> Carter Jonas (2014) Isle of Wight Council – Island Wide Retail Assessment

<sup>8</sup> Carter Jonas (2014) Isle of Wight Council – Island Wide Retail Assessment

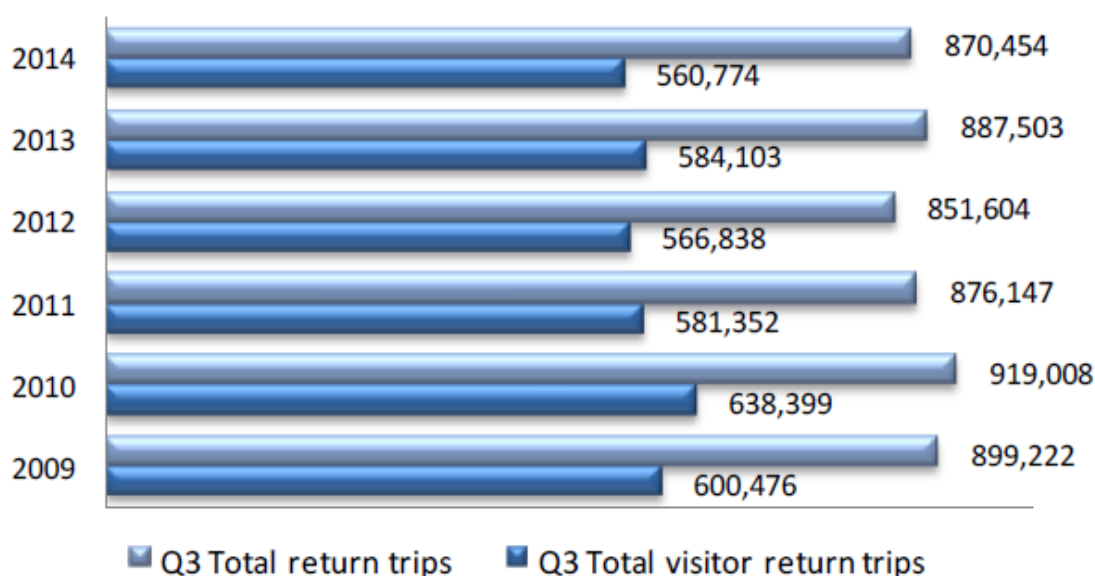
Figure 4.13 - Total visitor number (12 month rolling total to end of Period 3)



Source: TSE Research Services (2014) Isle of Wight Tourism Trends Bulletin

- 4.53 Domestic holiday trips were down 7% in 2014 compared with the same period in 2013, mainly due to a fall in the number of short breaks (1-4 nights), however, a higher proportion of domestic holiday trips were longer holidays of 5+ nights (accounting for 56% of all domestic holiday trips). In 2014 visitors spent over £264 million on the Island (down 8% compared with the 12 months ending with period 3 in 2013).
- 4.54 With the full support from the Isle of Wight Council, a number of private and public organisations joined forces in September 2012 and formed the Island's Destination Management Organisation (DMO) - Visit Isle of Wight Ltd to support and encourage the visitor economy and tackle the island's connectivity and capacity constraints and well as the local weaknesses in terms of public realm underinvestment, perceptions of expensive cross-Solent transportation, poor public transportations and need of regeneration in parts of the island.
- 4.55 Ferry passenger figures reveal that a total of 870,500 return trips (Island residents and visitors combined) were made over the peak summer period of 2014. Overall passenger volume was 2% lower than the total volume over the same period in 2013. However, volume was up 2% from the same period in 2012. Two thirds, 64% of all return trips were made by visitors (non-Island residents) during this period.

Figure 4.14- Total passenger and visitor return trips (Period 3 2014 vs previous years)



Source: TSE Research Services (2014) Isle of Wight Tourism Trends Bulletin



- 4.56 The Isle of Wight has a relatively high visitors' overnight stay and associated expenditure, compared with Southampton, Portsmouth and Brighton and Hove. However, although having more than 40% extra visitor nights than Brighton and Hove, there is only 22% uplift in the generated expenditure on the Island, compared with Brighton.
- 4.57 The Island is a well-recognised tourist destination with a number of key assets. However, the tourist market has been changing over the past 30 years with the abundance of affordable overseas holiday packages and there has been a gradual decline in the total number of visitor and a dramatic change in the demographics, length of stay and time of year visitors choose the Isle of Wight as a holiday destination.

**Figure 4.15 – Tourism statistics, Isle of Wight**

	1981	2013
Visitors staying 5 + nights	65%	29%
Visitors staying 4 nights or less	35%	71%
Expenditure per staying visitor	£128	£171
Expenditure per day visitor	£13	£30
% of adult only groups	60%	80%
Visitors using self-catering accommodation	19%	21%
Visitors using serviced accommodation	36%	36%
Visitors using caravans or camping	17%	11%
% of visitors coming by car	58%	61%
% of visitors on a main holiday	70%	32%
% of visitors October to March	8%	28%

*Info from IW Tourist Board report 1981 & 2013 VIOW tourism Monitor (£1 in 1981 is worth £3.60 in 2013 – Salfara.com)*

- 4.58 The island also competes with a range of short break coastal destination within a two hour drive time of the south of England such as North Cornwall, Bournemouth, North Devon, South Downs (Sussex), and Kent. These all offer a similar mix of diverse countryside, attractive seaside, beautiful coastlines & rich heritage. Therefore it is all the more important that the island looks carefully at its product mix and quality.
- 4.59 The Solent Gateways project could encourage the creation of an attractive and appealing destination on the Isle of Wight. An increase in tourism and visitor spending on the Island will also have a positive impact on Southampton and Portsmouth with more visitors going through the two cities to embark/disembark onto the ferries.

## Transportation issues

### Southampton

- 4.60 The city has excellent links to the national motorway network via the M271 and M3. Southampton is well connected and enjoys regular rail services to London, Bristol, Cardiff, Birmingham and Brighton. Southampton International Airport is located in the north of the city and is easily accessible

by train, with its own station at Southampton Parkway. The airport and has links with most large UK cities and a number of cities in Europe.

- 4.61 The Port of Southampton is one of the UK's largest, busiest and most diverse ports providing a wide range of passenger, freight and cargo functions with the mass market of mainland Europe less than 100 nautical miles away. It provides, directly and indirectly, 5,000 jobs in the Solent, contributes over £1.2bn of output per annum, and it is a global import and export hub for the UK motor industry, exporting more vehicles than any other UK port.
- 4.62 In summary, The Port of Southampton is:
- The first port of call for Far East trade;
  - The busiest UK port of cruise passengers;
  - The second busiest UK port for container movements;
  - The fourth busiest port by volume carried;
  - Critical supply chain gateway for UK exports (e.g. Jaguar Land Rover);
  - Unique double-tide and deep-water berthing for Port Panamax vessels.

**Figure 4.16 - Traffic types using Port of Southampton (2011)**

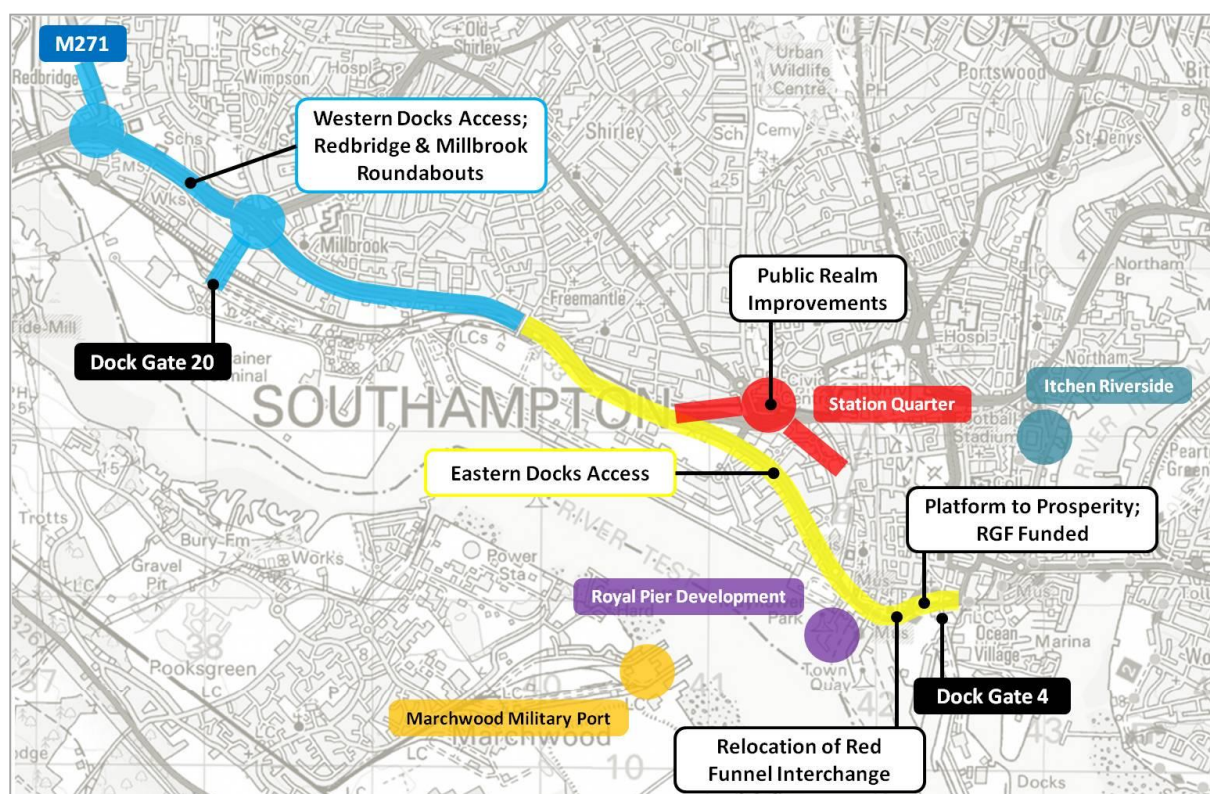
Category of port traffic	Current annual volumes <sup>70</sup>	Forecast annual volumes for 2030 <sup>71</sup>
Container units	965,000	4.2 million
Motor vehicles	511,000	840,000
Dry bulks (e.g. aggregates, grain, fertiliser, animal feed, scrap)	2.1 million tonnes	2.1 million tonnes
Cruise Passengers	1.4 million	2 million
Oil and petroleum products	25 million tonnes	35 million tonnes

Source: ABP Southampton (2011)

- 4.63 The port is also the largest vehicle handling port in the UK, with more than 750,000 vehicle exports (outnumbering imports by a ratio of more than two to one). Further increases in this activity is expected with Jaguar Landrover who currently export 160,000 vehicles per annum to markets in the Far East looking to export 360,000 vehicles per annum by 2015. The container terminal is also the second largest in the UK, handling almost 50% of UK trade with the Far East. Finally, Southampton is one of the leading hubs for the import and export of liquid bulk cargos, primarily crude oil.
- 4.64 Alongside the plans for city centre growth, the Associated British Port plans to significantly expand its operations over the next 20 years. The port envisage a doubling of cruise liner passengers and ship visits from 702,000 in 2005 to 2million in 2030, and have plans to develop a further cruise liner terminal to add to the four existing terminals. Recent growth in cruise traffic has already exceeded these predictions.
- 4.65 The City Council has worked with partners to devise a series of infrastructure measures which will support the maritime sector, and support the wider City centre economy. These measures offer a comprehensive solution to the transport constraints and issues facing the Western and Eastern docks and the City centre. This will allow the realisation of the Port of Southampton's Port Master Plans as well as a number of specific redevelopment proposals set out in the City Centre Master Plan, which are focused on Southampton's Waterside<sup>9</sup>.

<sup>9</sup> Business case

Figure 4.17 – Major development and proposed transport improvements in Southampton



Source: Southampton City Council

- 4.66 The first of the major transport interventions, Platform for Prosperity, has recently been completed, providing improved capacity for the port, simultaneously making the public realm a more attractive walking and cycling environment, and extending the burgeoning Oxford Street restaurant & café area<sup>10</sup>.
- 4.67 A significant amount of economic growth is proposed in Southampton over the next few years and this has been outlined in the Local Development Framework Core Strategy. In the city centre, this includes 300,000 sq m of office development, over 100,000 sq m of new retail, additional leisure facilities and over 5,000 new homes. These new development and the forecast expansion of the Port's and cruise industry activities is likely to put strain on the transport infrastructure in the city.

## Isle of Wight

- 4.68 Southampton and Portsmouth are the key ports of entry to the island and provide access to/from the M3, A3 and M27 as well as excellent rail routes. Heathrow and Gatwick, along with Bournemouth, Southampton and Eastleigh airports, are within easy reach. With improvements to the A3 (M), the London market is now only 90 minutes away.
- 4.69 The cross-Solent operators provide three passenger and vehicle ferry routes (Portsmouth to Fishbourne, Southampton to East Cowes, and Lymington to Yarmouth), two passenger-only high-speed services between Southampton and Cowes, Portsmouth and Ryde, and a passenger hovercraft between Southsea (Portsmouth) and Ryde.
- 4.70 The already difficult economic conditions prevailing on the Isle of Wight will be further inhibited if the links to between the mainland and the Island (particularly, Southampton to East Cowes) are not

<sup>10</sup> Business case

improved by damaging the visitor economy of the Isle of Wight, jeopardising jobs and acting as a barrier to business growth and investment<sup>11</sup>.

- 4.71 The negative out-commuting pattern is another issue, affecting the Island's transport connections. Although the majority of residents who are in employment work on the Island, there are some 2,700 people who commute to the mainland, mostly to Portsmouth and Southampton, being the only two major settlements with direct links to the Island.

#### **East Cowes:**

- 4.72 In East Cowes, a Masterplan agreed in 2006 has seen the arrival of a new supermarket, medical centre and energy centre, together with 186 new housing starts. Work has recently begun on the £3m outer breakwater barrier near the main Cowes harbour entrance. The next phase of the development includes Venture Quays, Trinity Wharf, Kingston Marine Park and Island Technology Park sites providing 48,700 sq m of office and industrial space supporting up to 1,700 jobs.
- 4.73 The Masterplan also identified the need to re-configure the existing ferry terminal layout. The new site allows for a larger marshalling area and a new terminal will be built. Access to the new terminal will be routed through Well Road, removing the current need for the marshalling area to pass directly through the town centre. This makes it possible to 're-claim' the old East Cowes Town Centre, including a revitalised town square, to be improved thorough high quality public realm. Better public transport interchange and cycling and walking routes will be provided, encouraging the sustainable access to tourism, promoted by visitor attractions around the Island.
- 4.74 The capacity of the current marshalling yards offers little operational reliance given that the ferry traffic is highly variable, in terms of seasonal, daily and hourly peaks. Turnaround times are affected by the inability to allow simultaneous loading and off-loading.
- 4.75 The alignment of the stacking lanes makes it difficult for various vehicles to load the ferries thus resulting in inefficient lane management. There is also lack of segregation and space between traffic boarding/ leaving the ferry, vehicles dropping passengers off/ picking up, bus services, taxis and parcel delivery management.
- 4.76 The solution is to create a new single marshalling yard. This will allow for an increased capacity of the ferry terminal operational area and improve the efficiency of ferry traffic embarkation and disembarkation. The conflict between the various movements associated with the ferry terminal and the town centre uses will be reduces and the internal segregation of the ferry movements and activities improved, benefitting both the local road network and community.

#### **Floating Bridge:**

- 4.77 The Floating Bridge, connecting East and West Cowes, provides a vital component of the transport infrastructure in the area. Without the Floating Bridge vehicles wishing to travel between East and West Cowes would be required to drive 10.3 miles, placing extra stress on the already congested road network in Newport. At 38 years, the Floating Bridge is the oldest structure of its kind in the country and has to be replaced in the next two years.

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<sup>11</sup> Solent LEP (2013) Strategic Economic Case

**Figure 4.18 – Floating Bridge from Cowes to East Cowes**



*Source: Isle of Wight Council*

- 4.78 The Floating Bridge has c. 1.8m annual passengers, including visitors, commercial vehicles and local foot and cycle traffic.

**Figure 4.19 – Floating Bridge vehicle movement 2011-2014**

Year	Cars	Disabled	Lorries	Lorries + trailer	Motorbikes	Large vans	Free travel
2011	293,191	2,232	181	13	4,477	27,078	3,062
2012	301,214	360	252	30	3,959	26,896	2,048
2013	303,127	202	224	43	3,598	23,534	2,725
2014	265,613	110	265	153	3,510	19,291	3,091

*Source: Isle of Wight*

## Cross-Solent

- 4.79 The optimal and efficient use of existing cross-Solent passenger and vehicular terminals is of benefit to the Island's residents and visitors alike. A fundamental issue relating to the operation of the cross-Solent passenger and vehicular terminals is the impact on the immediate vicinity of traffic movements associated with the ferries. Cross-Solent links and the key interchange areas they create on the Island are of strategic importance.
- 4.80 The current terminal building in East Cowes is currently in need of replacement and does not offer the best possible experience for visitors to the Island. As part of Red Funnel's commitment to the Isle of Wight, it is investing in a new purpose built terminal building that provides for better and more efficient facilities, such as improved ticketing, real time information and new Steam café, with decked viewing area overlooking the Medina.
- 4.81 The ferry operators are operating at capacity on occasional peak times in the summer. The levels of growth planned for in the Island Plan Core Strategy may impact on this and affect the service offered



by the ferry companies. Cross-Solent links and the key interchange areas they create on the Island are of strategic importance.

- 4.82 The limited capacity of the Red Funnel ferry terminals for the Southampton-East Cowes route act as a direct physical constraint on the number of visitors to the Isle of Wight, where tourism is one of the most important sources of employment. Further, the current position of each site has been identified by the host authority as unfavourable to their long-standing aspirations to radically improve the waterfront areas in which they now sit, bringing better quality public facilities and higher value uses and jobs. A cross-Solent approach has been developed, making it possible to move the project forward quickly, facilitating Red Funnels' need to upgrade the new terminals simultaneously, for obvious operational reasons.
- 4.83 Failing to improve transport links and visitor experiences, the visitor economy of the Isle of Wight will not grow, falling further behind in the competitive global tourism market and risking a downward spiral. The existing jobs in the tourism sector will be jeopardised and the East Cowes regeneration programme will not be completed to fulfilling its potential.

## Market Failure

- 4.84 Market failure is a description of a situation where, for one reason or other, the market mechanism alone cannot achieve economic efficiency. The rationale for the investment of public monies is usually founded in some form of market failure.
- 4.85 In the case of Solent Gateways, the most part of the Local Growth Deal investment will be made in general infrastructure, i.e. public realm, works to public highways, access to heritage assets, the floating bridge (see also State Aid section in the Financial Case). This will provide a strong platform for economic growth in Southampton and on the Isle of Wight providing critical infrastructure which facilitates improvements in connectivity across the Solent, while enabling stalled regeneration projects to come to fruition. The programme also directly addresses a recognised transport infrastructure deficit.
- 4.86 Investment in general infrastructure is generally classified as a 'public good' which society as a whole is willing to pay for collectively. Any appraisal of public investment also needs to consider the question of whether any 'freeriding' is occurring, this is when some consumers fail to pay for the provision of the public good because they expect others will do so. In this case the question needs to be answered as to whether it is justified or possible for the RPW development to fund the Red Funnel relocation to Trafalgar Dock and whether the Red Funnel development in East Cowes is capable of funding the supporting infrastructure improvements which are required there. In planning terms this would be akin to the use of a S106 agreement to mitigate the impacts of a development.
- 4.87 In the case of RPW and the relocation of Red Funnel to Trafalgar Dock, the funding strategy is explained more fully in Section 7. This is a complex and long term redevelopment scheme, likely to be implemented over more than one economic cycle. The project involves a significant amount significant levels of investment in early marine and site preparation works including the reclamation and remodelling of Mayflower Park. There are exceptionally high levels of abnormal costs. Returns through sales/letting of residential and commercial units inevitably need to be forecast years ahead with all of the uncertainty that brings.
- 4.88 Although well advanced, the submission to the LEP is being made prior to planning permission being obtained either for the works to Trafalgar Dock or for the main development itself. This is an additional factor which leads to a need for pump priming investment. For all of these reasons the Local Growth Deal investment is required to de-risk the project and to accelerate its delivery. As presented in this business case this investment will bring very significant levels of economic benefits.
- 4.89 Red Funnel are funding the betterment of the facilities in Southampton and in East Cowes, they are investing in the new terminal facility and all of the necessary on site infrastructure. As with RPW this is a complex development area involving high levels of abnormal costs. The supporting off site

infrastructure works are a combined package of public realm and highways works. The enhanced traffic infrastructure will improve the potential for regeneration in East Cowes, improve traffic flows to/from the new Chain Ferry and also improve access to the new Marina and associated development. Although mutually complementary this goes substantially beyond what would be required to mitigate the impact of the development scheme as the works bring wider community benefits all in accordance with the East Cowes masterplan.



## 5. The Economic Case

- 5.1 This section identifies and assesses a range of realistic and achievable options for meeting the objectives outlined in the Strategic Case. In doing so, it demonstrates that the preferred option delivers the best public value.

### Methodology

- 5.2 The methodology below reflects the principles set out in the LEP Assurance Framework (drawing upon HMT's Green Book guidance):

- Articulate the programme '**vision**', **SMART objectives and the breakdown of individual component projects** with details of costs and funding sources (refer to Section 7)
- Establish the **logic chain** from inputs and activities through to outputs, impacts and outcomes
- Discuss the **range of options considered** (long listing) and assess a short list of options available to meet the programme objectives to be compared alongside the reference case.
- Define a **Reference Case**, assuming minimum intervention.
- Schedule the **delivery trajectories** for development that is enabled and accelerated through the programme. This is based on information/data which is already in the public arena, supplemented by consultations with council officers and local property professionals.
- Quantitatively **model the benefits** arising from the delivery of new build housing, commercial floorspace, public realm, construction spending and tourism and leisure spending, allowing for build-up and persistence based on best available evidence and guidance.
- **Account for additionality**: estimating deadweight, then allowing for leakage, displacement and substitution, and multiplier effects (where appropriate) in order to translate gross outputs and benefits into net additional equivalents.
- A discounted valuation of the net benefits is then considered alongside the discounted public expenditure incurred to create them, and expressed as a **Benefit Cost Ratio**.
- Reference is made to **benchmarks** for cost per net additional FTE job and net additional dwelling.
- We then recommend a **Preferred Option** based on the findings from the above.

### Logic chain

- 5.3 Figure 5.1 provides the 'logic pathway' by which the inputs and activities of the Intermediate Programme lead to outputs, impacts and outcomes.

Figure 5.1 – Logic models

For residents / employees

Inputs	Outputs	Impacts
Public sector investment Private sector leveraged investment	Job creation and safeguarding Housing delivery GVA growth (higher value jobs and productivity) Journey time / cost savings, increased reliability	Increased land and property values Increased inward investment Improved accessibility (residents to amenities, employees to jobs, etc.)
Activities		Outcomes

<b>Strategic leadership</b> <b>Procurement and delivery of supporting transport and enabling infrastructure</b> <b>Reclamation of land</b> <b>Delivery of highways and public realm improvements</b> <b>Enabled and accelerated delivery of new build housing</b> <b>Enabled and accelerated delivery of industrial and commercial property</b> <b>Placemaking</b>	Improved retail and leisure offer Safeguarded heritage assets Environmental benefits (public realm, open space, effective use of natural capital) Increased tax revenues	Reduced deprivation Improved quality of life Greater opportunity (employment and housing)
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**For businesses / employers**

<b>Inputs</b>	<b>Outputs</b>	<b>Impacts</b>
<b>Public sector investment</b> <b>Private sector leveraged investment</b>	Increased land and property values Delivery of commercial floorspace GVA growth (higher value jobs and productivity) Journey time / cost savings, increased reliability Enhanced visitor experience, with improved retail and leisure offer Safeguarded heritage assets Environmental benefits (public realm, open space, effective use of natural capital) Increased tax revenues	Job creation and safeguarding Increased inward investment Increased population, catchment area, consumer spending, and retention thereof Increased visits, overnight stays, and therefore tourism and leisure spending Improved performance of local businesses Improved accessibility (businesses to consumers, employees to jobs, etc.)
<b>Activities</b>		<b>Outcomes</b>
<b>Strategic leadership</b> <b>Procurement and delivery of supporting transport and enabling infrastructure</b> <b>Reclamation of land</b> <b>Delivery of highways and public realm improvements</b> <b>Enabled and accelerated delivery of new build housing</b> <b>Enabled and accelerated delivery of industrial</b>		Economic growth

<b>and commercial property Placemaking</b>		
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Source: BBP Regeneration analysis

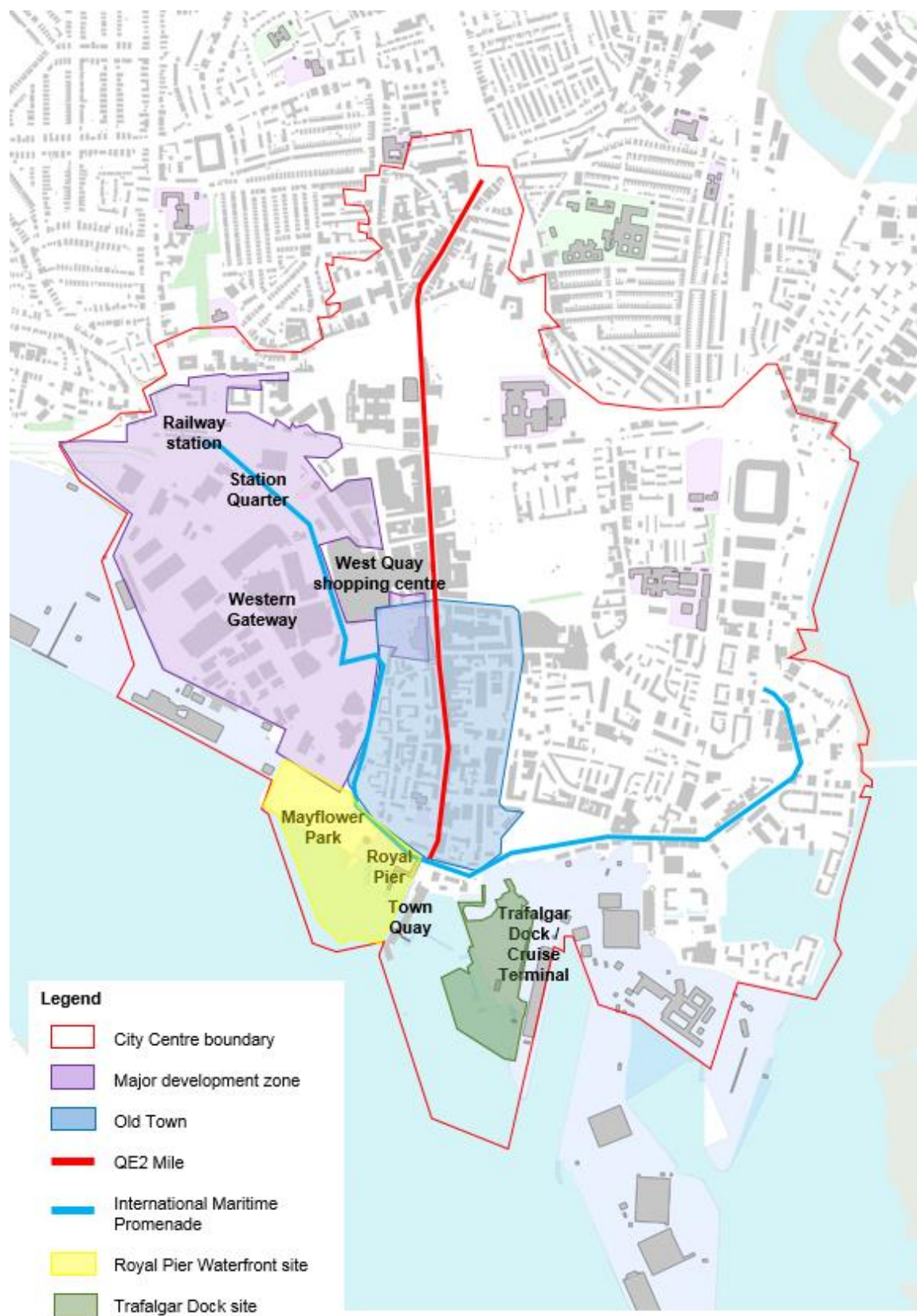
## Longlisted options

- 5.4 Many options have been explored in developing the Solent Gateways programme, its packages and component projects. The following sections discuss the process undertaken, the range of options considered, and resulting shortlist of options that have been appraised in the Economic Case.

### **Redevelopment of Royal Pier and surrounding waterfront in Southampton**

- 5.5 The rationale for redevelopment of Royal Pier and surrounding waterfront in Southampton is encapsulated by the following of the programme's strategic objectives:
- Improve the capacity and resilience of services connecting Southampton and the Isle of Wight, including critical freight services. Enhance the arrival and interchange experience for national and international users of these key gateways
  - Increase the number of visitors to Southampton and the Isle of Wight, especially those staying overnight. Encourage visitors to spend more, stay longer and come back more often
  - Better integrate the waterfront in Southampton with its city centre, by addressing physical and visual barriers
  - Bring a vibrant mix of uses and continuous public access to under-utilised waterfront areas in Southampton and East Cowes, whilst preserving the role of Mayflower Park as an important public open space and enhancing its role as the main site of the annual Southampton International Boat Show

Figure 5.2 – Wider context of key sites in Southampton



Source: Contains Ordnance Survey data © Crown copyright and database right 2013

5.6 The sites that have potential to contribute to these strategic objectives have the following opportunities and constraints:

- **Mayflower Park** – This site is in the ownership of Southampton CC, and is protected in planning policy as an area of open space. Any development would therefore need to ensure no net loss of open space, which limits the land area to the park roads, car parking and sports facility. Further development would require costly land reclamation from the River Test, and delivery would most likely require significant enabling development on another site.
- **Wider SCC ownership** - The south-eastern part of SCC's wider land ownership falls within the Royal Pier Waterfront Quarter in the City Centre Action Plan (SCC, 2015). There is a hotel, motor showroom and repair facility, and single-storey leisure facility surrounded by green open space. These uses are relatively low density. If the Royal Pier Waterfront development did not proceed, these lower density facilities may feasibly come forward for redevelopment in the longer term as part of the neighbouring Western Gateway Quarter. However, these sites are further from the city centre and waterfront than Royal Pier, Town Quay and Trafalgar Dock, and therefore offer less potential to contribute to the strategic objectives described above.
- **Royal Pier** – This site is in the ownership of Associated British Ports, with the foreshore owned by Crown Estate. The site is occupied by the Red Funnel ferry terminal and associated car parking, and a restaurant operates from the Grade II listed Royal Pier pavilion. Red Funnel's ferry terminal is currently separated from the neighbouring water transport interchanges at Town Quay, including their high-speed passenger service to the Isle of Wight. SCC's 2009 Characterisation City Project encourages the replacement of the Red Funnel terminal buildings as they "appear temporary in nature".

Any significant development in this area would require the relocation of Red Funnel's operations, including re-provision of parking. Red Funnel has confirmed that their business plan for upgrading the terminal in Southampton depends upon continuity of service throughout the works, as well as mirroring upgrades on the other side of the Solent to ensure a consistent customer experience.

- **Town Quay** – This site is heavily occupied by commercial property, Red Funnel's Red Jet ferry terminal, and White Horse Ferries' ferry terminal and associated car parking. As such, there is limited development potential.
- **Trafalgar Dock / Cruise Liner Terminal** – The north-western area of Trafalgar Dock forms part of the secure port area and is not accessible to the general public. It is currently operational port land and its owners, ABP, are unlikely to accept a change of use to allow non-port related development.

5.7 Based on the analysis above, scope for redevelopment is very limited without the relocation of Red Funnel's ferry terminal to Trafalgar Dock and significant land reclamation. We have therefore considered three options, each of which has been brought forward to the shortlist.

- **'Do Minimum'** - The low density motor showroom and repair facility, single-storey leisure facility) surrounded by green open space in SCC's wider land ownership are assumed to come forward for redevelopment in the longer term as part of the neighbouring Western Gateway Quarter. Also, part of the car park (on the other side of West Quay Road) is assumed to be available for development, this is included within the Royal Pier development boundary and could come forward for development separately without needing to move Red Funnel. The car parking lost needs to be re-provided and there is a culvert that goes under it that limits potential.



- **Minor intervention** – The current configuration of Mayflower Park does not make best use of its waterfront location, with large areas of surface parking and internal roads. The existing surface sports facility might also be incorporated into a larger mixed use development scheme. It is understood that any development would trigger a requirement to replace any public open space which is lost, which cannot be achieved in this area without reclaiming land without a departure from planning policy. We have not tested the feasibility or viability of such a scheme in detail, but given the non-standard nature of such a building, we have assumed that this would not be viable in the short-medium term, probably following investment into the neighbouring Western Gateway area. Due to the park being entirely within the Council's land ownership, and given the likely viability position, we have assumed public sector intervention to deliver such a scheme.
- **Full programme** – The Royal Pier Waterfront scheme is assumed to come forward as currently envisaged by Royal Pier Waterfront (Southampton) Ltd.

## Regeneration of East Cowes town centre and waterfront

- 5.8 The regeneration of East Cowes town centre and waterfront has the potential to contribute to all of the strategic objectives for the Solent Gateways programme. As well as the impetus of capitalising upon Red Funnel's investment in improved capacity and resilience of cross-Solent ferry services, there is a broad vision to reduce the impact of traffic on the town centre, allowing it to make better use of its natural and built assets in order to carry out its functions as a town centre more effectively.
- 5.9 Currently there are limited facilities and attractions for local residents and tourists to visit East Cowes town. The Trinity Wharf development as well as the other East Cowes proposed developments (such as the Marina) will make the town a more attractive place to visit, increasing the foot fall and as a consequence securing economic benefits.
- 5.10 The recent planning history includes:
- Supplementary Planning Guidance "Cowes Waterfront: A Vision for the Medina Valley", adopted in 2003
  - Planning application submitted by SEEDA and English Partnerships in 2006
  - Informal discussion documents consulted upon in May 2014, in order to inform a Medina Valley Action Plan
  - Several consultation events, including most recently for a technical audience in March 2015, and for the public in May 2015
- 5.11 The current masterplan has emerged as a result of the above processes and consideration of a range of options, reflecting the key opportunities and constraints described below:
- York Square lies at the heart of East Cowes town centre, but is currently vehicle-oriented, providing a poorer visitor experience for pedestrians and cyclists
  - Bridge Square and Red Funnel's ferry terminal are the gateways to East Cowes from Cowes and across the Solent, respectively
  - Trinity Wharf and Venture Quays represent under-utilised waterfront sites, with poor connectivity to the town centre
  - Red Funnel's ferry marshalling facilities are currently split across two sites, Trinity Yard and Phoenix Yard, and bisected by Castle Street. Their location is between the waterfront and town centre, and traffic is directed in and around the town in order to access them
  - Red Funnel's business plan for investing to relocate its Southampton ferry terminal from Royal Pier to Trafalgar Dock is dependent upon upgrading facilities at both sides of the route simultaneously, and with no interruption in service

- This provides an opportunity to consolidate the two marshalling yards in East Cowes, and Red Funnel has entered into a conditional agreement with the HCA to purchase much of the land required from to do this, with land assembly ongoing for the remainder of the required site

## Connectivity between East Cowes and Cowes town centres

5.12 Improving connectivity between East Cowes and Cowes town centres is relevant to two strategic objectives, in particular:

- Provide direct pedestrian access and reduce vehicular journey times between the two town centres of East Cowes and Cowes, to ensure their future vitality and competitiveness in a global tourism market
- Minimise congestion on local road networks, particularly where this risks negatively impacting the vitality of town centres

5.13 The current Floating Bridge was refurbished in 1977; however, whilst this has extended the life of the Floating Bridge, it will still come to the end of its economic life in the next two years. Options for safeguarding access between East Cowes and Cowes town centres have been considered and developed since the 1990's.

5.14 The broad options that have been considered are listed below:

- 'Do Minimum' (Reference Case) – Pedestrian- and cyclist-only water taxi at current Floating Bridge location, with vehicles crossing the River Medina at Coppins Bridge in Newport
- Replacement of the Floating Bridge across the River Medina
- Fixed bridge over the River Medina, at current Floating Bridge location
- Opening bridge over the River Medina, at current Floating Bridge location
- Fixed bridge over the River Medina, located just south of two settlements
- Fixed bridge over the River Medina, located near Newport
- Tunnel under the River Medina

5.15 The longlist above was narrowed down during the preparation of the transport business case for the project, with two options shortlisted for modelling ('Do Minimum' and replacement of Floating Bridge). Further information on each option is available in the transport business case for the project.

## Shortlisted Options

5.16 Reflecting the range of issues and options described above, and in consultation with the Solent LEP and council officers, the long list of options has been synthesised into shortlisted options for the Solent Gateways programme as a whole. The shortlisted options are deemed to represent the most realistic and achievable options for addressing the strategic objectives of the programme.

5.17 Each of the shortlisted options is compared against the 'Do Minimum' scenario (Reference Case), to account for deadweight – that is, costs and benefits that would have arisen without the Solent Gateways programme.

5.18 The shortlisted options are summarised as follows:

### **'Do Minimum' (Reference Case)**

5.19 This option assumes that none of the component projects of the Solent Gateways programme are delivered.

5.20 The current Floating Bridge across the River Medina is assumed to be decommissioned at the end of its economic life. A pedestrian- and cyclist-only water taxi is provided at the current Floating Bridge location, with vehicles crossing the River Medina at Coppins Bridge in Newport.



- 5.21 This option assumes that The Royal Pier Waterfront development does not proceed without the Solent Gateways programme, because:
- Red Funnel would not relocate from Royal Pier to Trafalgar Dock, and therefore there would be no readily developable sites at Royal Pier.
  - Red Funnel would not invest in the consolidation of their operations in East Cowes. Trinity Wharf in East Cowes is therefore assumed to be disposed of by the HCA to a party other than Red Funnel for redevelopment. However, due to limited access through the still operational Trinity Yard marshalling yard, the scheme would not come forward for some time.
  - The highways improvements and public realm improvements in East Cowes would not go ahead, as the traffic flows would not be significantly improved without consolidating the existing marshalling yards onto a new site.
- 5.22 The other major development projects across Southampton town centre and East Cowes are assumed to be delivered at the delivery trajectories currently expected by their respective Councils.
- 5.23 It is assumed that no public realm improvements are delivered under this scenario.
- 5.24 In Southampton, it is assumed that tourism and leisure visitor spend increases in line with historic growth.
- 5.25 In East Cowes, it is assumed that the Council's destination management strategy activity would only just make up for the tourism and leisure visitor spend deterred by the poorer accessibility and increased congestion due to the decommissioning of the Floating Bridge, resulting in no net increase in spend.

### **Shortlisted Option 1: Replacement and modernisation of the Floating Bridge across the River Medina only**

- 5.26 This option mirrors the 'Do Minimum' (Reference Case), with the exception that the ageing Floating Bridge across the River Medina is replaced and modernised, rather than decommissioned at the end of its economic life.
- 5.27 This results in journey time savings for vehicles that would otherwise have to drive down to Newport in order to travel between East Cowes and Cowes, reduced congestion at Coppins Bridge in Newport, extended hours of operation compared to the water taxi, and greater public sector control over fare pricing.
- 5.28 It is assumed that Royal Pier Waterfront does not proceed and the other major development projects across Southampton town centre and East Cowes are assumed to be delivered at the delivery trajectories currently expected by their respective Councils.
- 5.29 It is assumed that no public realm improvements are delivered under this scenario.
- 5.30 Tourism and leisure spend is assumed to increase in Southampton in line with historic growth, and on the Isle of Wight in line with destination management strategy targets; however, with relatively little other intervention this is at a slower rate than in other options.

### **Shortlisted Option 2: Minor intervention at Royal Pier and surrounding waterfront in Southampton, and at East Cowes town centre and waterfront, plus replacement of the Floating Bridge**

- 5.31 The Floating Bridge across the River Medina is assumed to be delivered as per Shortlisted Option 1 above.
- 5.32 If the Royal Pier Waterfront development scheme does not proceed for the reasons set out in the 'Do Minimum' scenario above, there are limited options for intervention to contribute towards achieving the programme's strategic objectives.

- 5.33 Due to its poor performance in terms of effectiveness against the strategic objectives (see Effectiveness section later), we have not costed or tested the viability / feasibility of this option in the same detail as the other shortlisted option. However, we have made the following broad assumptions:
- Red Funnel would continue to operate from its site at Royal Pier, limiting opportunities for land reclamation and new development there.
  - The current configuration of Mayflower Park does not make best use of its waterfront location, with large areas of surface parking and internal roads. The existing surface sports facility might also be incorporated into a larger mixed use development scheme. It is understood that any development would trigger a requirement to replace any public open space which is lost, which cannot be achieved in this area without reclaiming land without a departure from planning policy. We have not tested the feasibility or viability of such a scheme in detail, but given the non-standard nature of such a building, we have assumed that this would not be viable in the short-medium term, probably following investment into the neighbouring Western Gateway area. Due to the park being entirely within the Council's land ownership, and given the likely viability position, we have assumed public sector intervention to deliver such a scheme. Red Funnel would continue to operate using its divided marshalling yards in East Cowes, Trinity Yard and Phoenix Yard.
  - Trinity Wharf is assumed to be disposed of by the HCA, to a party other than Red Funnel to deliver a standalone development scheme. Whilst the site could be designed to allow for integration with a later redevelopment of Trinity Yard, access would be constrained via the Yard in the meantime, and thus would not be as comprehensive in its urban design.
- 5.34 The other major development projects across Southampton city centre and East Cowes are assumed to be delivered at the delivery trajectories currently expected by their respective Councils.
- 5.35 Minor public realm improvements are assumed to be delivered to Royal Pier, in conjunction with the minor development at Mayflower Park. Moderate public realm improvements are assumed to be delivered to the town centre and waterfront in East Cowes, in conjunction with the standalone redevelopment of Trinity Wharf.
- 5.36 Tourism and leisure spend is assumed to increase slightly above historic levels in Southampton, and slightly above destination management strategy targets on the Isle of Wight, owing to the limited scale of intervention delivered.

### **Shortlisted Option 3: Full supporting transport and enabling infrastructure programme**

- 5.37 In this option, the supporting transport and enabling infrastructure package is assumed to be delivered in its entirety.
- 5.38 The Floating Bridge across the River Medina is assumed to be delivered as per Shortlisted Option 1 above.
- 5.39 Once the two marshalling yards in East Cowes have been consolidated onto their new site, Trinity Wharf and Trinity Yard in East Cowes are able to be delivered as one comprehensive development scheme.
- 5.40 The Western Gateway and Station Quarter development schemes in Southampton are assumed to experience 'major' and 'minor' acceleration, respectively (see Cost Benefit Analysis Assumptions below).
- 5.41 The other major development projects across Southampton town centre and East Cowes are assumed to be delivered at the delivery trajectories currently expected by their respective Councils.
- 5.42 Major public realm improvements are assumed to be delivered to three intervention areas: Royal Pier Waterfront and Trafalgar Dock in Southampton, and the town centre and waterfront in East Cowes.

- 5.43 Tourism and leisure spend is assumed to increase substantially above historic growth in Southampton owing to the scale of intervention proposed, and moderately above destination management strategy targets in Isle of Wight.

### Comparison of Shortlisted Options

- 5.44 Figure 5.3 provides a comparison of the gross outputs arising from each of the Shortlisted Options outlined above. Further assumptions underlying the economic modelling are set out in the following section.

**Figure 5.3 - Gross outputs arising from Shortlisted Options**

Indicator	Do Minimum (Reference Case)	Shortlisted Option 1: Floating Bridge only	Shortlisted Option 2: Minor intervention at Royal Pier, East Cowes town centre, and East Cowes waterfront	Shortlisted Option 3: Full supporting transport and enabling infrastructure Programme
New homes	3,752	3,752	3,820	4,542
New commercial floorspace (sq m)	222,616	222,616	224,816	282,545
Increased tourism and leisure spending (£m)	13.197	37.450	54.505	89.407
Public realm (intervention areas)	None	None	East Cowes town centre and waterfront	East Cowes town centre and waterfront, Trafalgar Dock, and Royal Pier Waterfront
Jobs (FTE, excl. Construction)	12,516	13,120	13,631	17,786
Construction job years	56	129	614	8,183
GVA (£bn)	1.031	1.051	1.087	1.747
Betterment (£bn)	0.074	0.074	0.075	0.089
Indicator	Do Minimum (Reference Case)	Shortlisted Option 1: Floating Bridge only	Shortlisted Option 2: Minor intervention at Royal Pier, East Cowes town centre, and East Cowes waterfront	Shortlisted Option 3: Full supporting transport and enabling infrastructure Programme
New homes	3,752	3,752	3,820	4,542
New commercial floorspace (sq m)	222,616	222,616	224,816	282,545
Increased tourism and leisure spending (£m)	13.197	37.450	54.505	89.407

<b>Public realm (intervention areas)</b>	None	None	East Cowes town centre and waterfront	East Cowes town centre and waterfront, Trafalgar Dock, and Royal Pier Waterfront
<b>Jobs (FTE, excl. Construction)</b>	12,516	13,120	13,631	17,786
<b>Construction job years</b>	56	129	614	8,183
<b>GVA (£bn)</b>	1.031	1.051	1.087	1.747
<b>Betterment (£bn)</b>	0.074	0.074	0.075	0.089

Source: BBP Regeneration analysis

Figure 5.4 - Net additional outputs arising from Shortlisted Options

Indicator	Shortlisted Option 1: Floating Bridge only	Shortlisted Option 2: Minor intervention at Royal Pier, East Cowes town centre, and East Cowes waterfront	Shortlisted Option 3: Full supporting transport and enabling infrastructure Programme
<b>New homes</b>	0	68	790
<b>New commercial floorspace (sq m)</b>	0	2,200	59,929
<b>Increased tourism and leisure spending (£m)</b>	24.253	41.308	76.210
<b>Public realm (intervention areas)</b>	None	East Cowes town centre and waterfront	East Cowes town centre and waterfront, Trafalgar Dock, and Royal Pier Waterfront
<b>Jobs (FTE, excl. Construction)</b>	604	1,115	5,270
<b>Construction job years</b>	73	558	8,127
<b>GVA (£bn)</b>	0.020	0.056	0.716
<b>Betterment (£bn)</b>	0.000	0.001	0.016

Source: BBP Regeneration analysis

## Cost Benefit Analysis assumptions

### Costs and benefits arising from delivery of new build housing

5.45 DCLG's 2010 paper *Valuing the Benefits of Regeneration* recognises two key methods for valuing the private and societal costs and benefits arising from delivery of new build housing:

- Betterment arising from permission for residential uses, as a starting point for valuing private consumption benefits
- GVA arising from increased labour supply, as a starting point for valuing societal production benefits

- 5.46 In terms of valuing betterment, we have made assumptions based upon high level residual values for a typical one-hectare development area, using local comparables for freehold transactions in recent years, as shown in the calculations in Figure 5.4.

**Figure 5.5 – Valuing the consumption benefits arising from new build housing**

Indicator	Industrial to residential (Trafalgar Dock and Royal Pier)	Land reclaimed from River Test to residential (Royal Pier and Mayflower Park)
Original value (£ / ha)	1,145,000	0
Residential value (£ / ha)	1,931,159	1,931,159
Value uplift (£ / ha)	786,159	1,931,159
Assumed average dwellings per hectare	55	55
<b>Uplift per dwelling (£)</b>	<b>14,294</b>	<b>35,112</b>
Approximate proportion of outputs from enabled development schemes in Southampton and East Cowes	440	280
Weighting based on proportion of outputs	61%	39%
<b>Weighted uplift per dwelling (£)</b>		<b>22,390</b>

Source: BBP Regeneration analysis of Zoopla (2015) Area Guide; EGi (2015) Deals

- 5.47 In terms of production benefits, we have been careful not to double count job creation as a result of an increase in labour supply from new housing, which we have considered separately (See *Costs and benefits arising from delivery of new industrial and commercial floorspace*).

### **Costs and benefits arising from delivery of industrial and commercial floorspace**

- 5.48 DCLG's 2010 paper *Valuing the Benefits of Regeneration* recognises that whilst the delivery of industrial and commercial floorspace supported by the public sector has a monetary market value attached, the floorspace is not an end in itself, but a way of generating 'downstream' economic benefits. There are two key methods for valuing the societal costs and benefits arising from delivery of industrial and commercial floorspace:
- Betterment arising from permission for industrial and commercial uses, as a starting point for valuing societal production benefits
  - GVA arising from employment creation, as a starting point for valuing societal production benefits
- 5.49 The above methods both value the same production benefits, and one must be chosen. The paper points to the latter as providing a more 'complete' capture of economic benefits, and this is the valuation approach that we have taken.
- 5.50 To arrive at a number of jobs arising from the delivery of industrial and commercial floorspace, we have assumed employment densities based upon the HCA's 2010 employment density guidance. This has required us to apply relevant assumptions to convert the Gross External Area assumptions gathered from local authority officers and the Local Plan evidence base into the relevant measure of floorspace used by the HCA (e.g. Net Internal Area versus Gross Internal Area).
- 5.51 In terms of valuing the GVA generated by each job, it was required that we make assumptions drawing upon the best available data from a number of sources, as shown in Figure 5.5.

**Figure 5.6 – Key data informing GVA assumptions**

Indicator	Isle of Wight	Southampton	Weighted average
Population	138,265	236,882	n/a
GVA per filled job (£)	34,006	39,461	<b>37,450</b>

Source: ONS (2011) Census; ONS (Sep 2014) Subregional productivity hours and jobs - 2012

- 5.52 Based on the above data, we have assumed a weighted average GVA of £37,450 per new job arising from the delivery of industrial and commercial property.
- 5.53 We then adjusted this weighted average based on the type of job, using national data excluding the financial sector. This represents a conservative position, as we are not aware of any specific occupiers or market demand has been identified from the financial sector to date.

**Figure 5.7 – Key data informing GVA assumptions**

Type of job	% comparison to mean	Assumed GVA per job, excluding financial sector (£)
<b>Tourism and leisure</b>	50%	18,853
<b>B1a</b>	126%	47,239
<b>B1c/B2</b>	138%	51,794
<b>B8</b>	128%	48,087
<b>A1/A2/A3/A4</b>	70%	26,163
<b>Construction</b>	134%	50,314

Source: Annual Business Survey (2014) 2013 Provisional Results

## Costs and benefits arising from increased tourism and leisure spend

- 5.54 Deloitte and Oxford Economics' 2013 paper *Tourism: jobs and growth – The economic contribution of the tourism economy in the UK* refers to three measures of economic benefit arising from tourism and leisure activity:
- **Direct industry** – GVA generated from tourism-related goods and services
  - **'Tourism economy'** – GVA generated from tourism-related goods and services, plus supply chain effects
  - **Total contribution** – GVA, generated from tourism-related goods and services, plus supply chain effects, plus employee spending effects
- 5.55 The first two measures capture production benefits, whilst the third includes consumption benefits. The valuation approach that we have taken is to model the economic benefit from direct industry as GVA, whilst including a regional multiplier (using the HCA's ready reckoner for recreation activity) to account for further multiplier effects.
- 5.56 We have been careful not to double count economic benefits arising from overnight accommodation, by only valuing this as part of tourism and leisure spending, rather than valuing the additional spend per new hotel room delivered.
- 5.57 To arrive at an economic benefit arising from increased tourism and leisure spend, we first made assumptions about growth in total spending under each scenario, and then divided this by the typical job density per £1m of tourism and leisure spending (as calculated for Southampton and the Isle of Wight using ONS data) to estimate the number of jobs generated as a result of the increase.

**Figure 5.8 – Key data informing tourism and leisure spend assumptions - Southampton**

Scenario	Assumptions	Increase in spend per visit	Increase in visits	Total increase in spend (£'000)
<b>Reference case</b>	Increase in line with historic growth	1%	2%	13,197
<b>Shortlisted Option 1: Floating Bridge only</b>	Increase in line with historic growth	1%	2%	13,197
<b>Shortlisted Option 2: Minor intervention</b>	Increase slightly above historic growth, due to scale of intervention proposed	2%	3%	21,995
<b>Shortlisted Option 3: Full programme</b>	Substantial increase, due to scale of intervention proposed	4%	8%	52,788

Sources: ONS (2015) *Tourism Atlas for England and Wales - 2011-13*; ONS (2014) *Business Register Employment Survey 2009-12*

**Figure 5.9 – Key data informing tourism and leisure spend assumptions – Isle of Wight**

Scenario	Assumptions	Increase in spend per visit	Increase in visits	Total change in spend (£'000)
<b>Reference case</b>	No increase, due to deterrence caused by poor connectivity between East Cowes and Cowes	0%	0%	-
<b>Shortlisted Option 1: Floating Bridge only</b>	Increase in line with destination management targets	2%	4%	24,253
<b>Shortlisted Option 2: Minor intervention</b>	Increase slightly above destination management targets, due to scale of intervention proposed	3%	5%	32,510
<b>Shortlisted Option 3: Full programme</b>	Moderate increase, due to scale of intervention proposed	3%	6%	36,619

Sources: ONS (2015) *Tourism Atlas for England and Wales - 2011-13*; Visit Isle of Wight (2015) *Marketing Strategy 2015*

- 5.58 In terms of valuing the GVA generated by each job, it was required that we make assumptions drawing upon the best available data from a number of sources, as shown in Figure 5.5 and 5.6 earlier in this chapter.

### Costs and benefits arising from additional construction spending

- 5.59 L.E.K. Consulting's 2009 paper *Construction in the UK economy* refers to three measures of economic impact arising from construction activity:

- **Output impact** – Direct, indirect and induced increases in output and demand
- **Short-term output impact** – Direct, indirect and induced impacts arising from increased employment
- **Long term impact** – Legacy impacts from activity enabled by delivered construction projects, such as educational and health benefits in the case of school building

- 5.60 All three measures include consumption benefits. The valuation approach that we have taken is to model the output impact as GVA, whilst including a regional multiplier (using the HCA's ready reckoner for construction activity) to account for further multiplier effects.



- 5.61 We have been careful not to double count legacy impacts arising as a result of activity enabled delivered construction projects, which we have often considered separately elsewhere (e.g. job creation arising from result of new commercial floorspace).
- 5.62 To arrive at an economic benefit arising from output impact, we first made assumptions about additional construction spending under each scenario (using spending as a proxy for output), and then divided this by a weighted average job density per £1m of output (see Figure 5.6) to estimate the number of jobs generated as a result of the increase.

**Figure 5.10 – Key data informing job density per £1m of construction output assumptions**

Project type	Approximate % of floorspace	Jobs per £1m output
Private commercial	70%	14.6
New housing	30%	17.4
<b>Weighted average</b>		<b>15.5</b>

Source: CLG estimates, based on Construction Skills Network analysis, adjusted for type of construction and 2015 prices

- 5.63 In terms of valuing the GVA generated by each job, it was required that we make assumptions drawing upon the best available data from a number of sources, as shown in Figure 5.5 and 5.6 earlier in this chapter.

### **Costs and benefits arising from delivery of public realm improvements**

- 5.64 DCLG's 2010 paper *Valuing the Benefits of Regeneration* recognises two key methods for valuing the environmental amenity and wellbeing benefits arising from public realm improvements:
- Revealed preference (e.g. hedonic pricing)
  - Stated preference (e.g. willingness to pay)
- 5.65 The paper uses the findings from a stated preference survey to derive a willingness to pay value, for application over an assumed beneficiary population. As well as considering the methodology and survey results from the paper's own stated preference survey, we have considered those from the following papers:
- Accent, Colin Buchanan, TfL (2007) *Valuing Urban Realm - Business Cases in Public Spaces*
  - Atkins (2011) *Valuation of Townscapes and Pedestrianisation*
  - CABE (2007) *Paved with gold: The real value of good street design*
  - Living Streets (2011) *Making the Case for Investment in the Walking Environment*
  - ODPM (2001) *Valuing the external benefits of undeveloped land: main document*
  - ODPM (2004) *Valuing the External Benefits of Undeveloped Land: Phase 2*
  - Southampton CC (2012) *City Streets: Appraising the Economic Benefits*
- 5.66 Collectively, these papers suggest that:
- Willingness to pay for public realm improvements is a more significant amount than open space. The surveys tend to consider comprehensive public realm improvements in a location, usually comprising a handful of distinct improvements to public space such as town squares and pedestrian streets (e.g. pedestrian prioritisation, dropped kerbs, increased street activity, improved surface quality).
  - Frequent users are willing to pay a more significant amount for the benefits of public realm improvements than infrequent users.
  - Willingness to pay differs greatly by the suggested method of payment (e.g. rent, business rates, Council Tax, public transport fares). It also differs depending upon the baseline quality of the environment beforehand relative to the improvement. However, willingness to pay

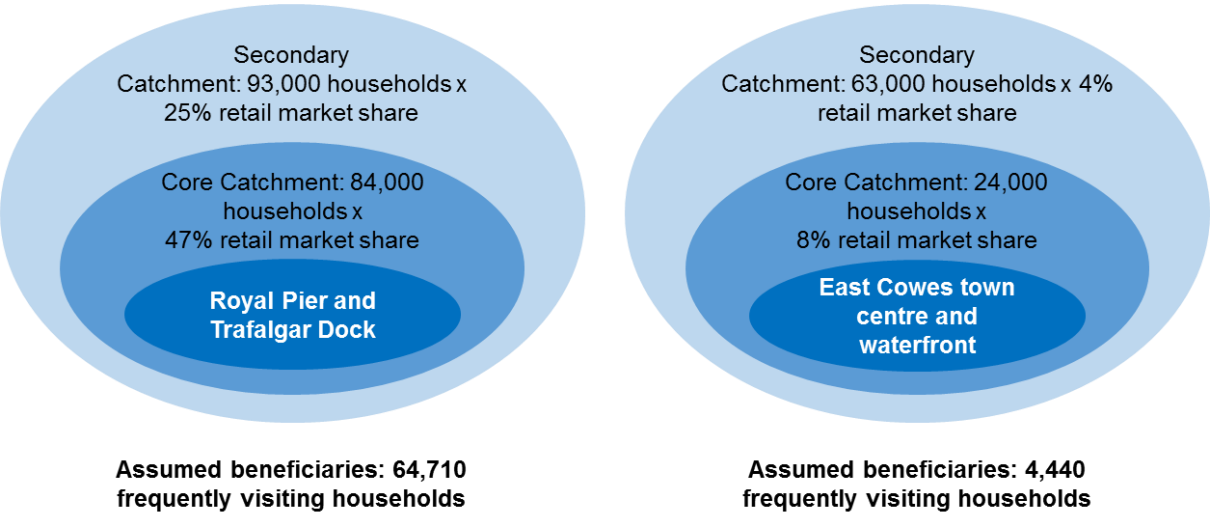


values are broadly transferrable across urban areas (urban fringe and rural environments may exhibit differences), and do not appear to change significantly over time.

5.67 As a result of the findings above, we have therefore:

- Focused on public realm improvements at Royal Pier Waterfront, Trafalgar Dock, and East Cowes, rather than open space improvements at Mayflower Park where willingness to pay is likely to be significantly lower.
- Focused on benefits enjoyed by frequent users to these areas, rather than infrequent ones. We have used retail catchment area and market share data from recent retail assessments for Southampton and the Isle of Wight as a proxy for the number of households likely to benefit significantly from public realm improvements (see Figure 5.10).
- Applied a range of willingness to pay values:
  - Minor improvement: £12 per household per intervention area
  - Moderate improvement: £24 per household per intervention area
  - Major improvement: £60 per household per intervention area

**Figure 5.11 – Assumed beneficiaries of public realm improvements (households x market share)**



Source: BBP Regeneration analysis of Carter Jonas (2014) *Island-Wide Retail Assessment*; GVA (2011) *Southampton and Eastleigh Retail Study*.

### Duration, build-up and persistence of benefits

5.68 We have modelled costs and benefits arising over the next 25 years, which allows for all of the development schemes considered to deliver their outputs, including persistence.

5.69 A discount factor of 3.5% has been applied to all costs and benefits to account for time additionality. This reflects the ‘test discount rate’ specified by Her Majesty’s Treasury in *The Green Book: Appraisal and Evaluation in Central Government* (2011).

**Figure 5.12 – Assumed duration, build-up and persistence of benefits**

Activity	Basis of assumption	Assumed duration, build-up and persistence

<b>Delivery of new build housing</b>	<p><b>DCLG (2010) Valuing the benefits of Regeneration:</b> The future stream of private benefits is already capitalised in the property value, and the recommended source of evidence on external impacts already expresses the different amenity values in perpetuity. This benefit cannot therefore be claimed on a recurring basis.</p>	<p>Assumed duration: One-off</p> <p>Assumed build-up: None</p> <p>Persistence modelled: One year</p>
<b>Job creation arising from delivery of industrial and commercial property</b>	<p><b>HCA (2014) Additionality Guide, Fourth Edition:</b> Draws upon BIS (2009) Impact Evaluation Framework Plus (IEF+), whereby benefits arising from revenue investment (e.g. enterprise level support or skills and workforce development) tends towards three years' persistence, and benefits arising from capital investment (such as bringing land back into use or public realm improvements) tends towards 10 years' persistence</p> <p><b>DCLG (2010) Valuing the benefits of Regeneration:</b> Central estimate is based upon 10 years' persistence, with a conservative estimate of five years. Assumed that benefits build up over the first three years.</p>	<p>Assumed duration: Five years</p> <p>Assumed build-up: Four years</p> <p>Persistence modelled: Three years</p>
<b>Job creation arising from increase in tourism and leisure visitor spend</b>	<p><b>HCA (2014) Additionality Guide, Fourth Edition:</b> Draws upon BIS (2009) Impact Evaluation Framework Plus (IEF+), whereby benefits arising from image, events and tourism are stated to persist for two years</p> <p><b>DCLG (2010) Valuing the Benefits of Regeneration:</b> Central estimate for activity tackling worklessness and business development is based upon three years' persistence, with a conservative estimate of two years. Assumed that benefits build up over the first year.</p>	<p>Assumed duration: Three years</p> <p>Assumed build-up: One year</p> <p>Persistence modelled: Two years</p>
<b>Job creation arising from construction spending</b>	<p><b>DCLG (2010) Valuing the Benefits of Regeneration:</b> Central estimate for activity tackling worklessness and business development is based upon three years' persistence, with a conservative estimate of two years. Assumed that benefits build up over the first year. Other government agency appraisal work is known to adopt an even more conservative approach of one year's duration.</p>	<p>Assumed duration: One year</p> <p>Assumed build-up: None</p> <p>Persistence modelled: One year</p>
<b>Public realm improvements</b>	<p><b>HCA (2014) Additionality Guide, Fourth Edition:</b> Draws upon BIS (2009) Impact Evaluation Framework Plus (IEF+), whereby benefits arising from public realm improvements are stated to persist for 10 years'</p> <p><b>DCLG (2010) Valuing the benefits of Regeneration:</b> Central estimate is based upon 30 years' persistence, with a conservative estimate of 15 years. Assumed that benefits build up over the first three years.</p>	<p>Assumed duration: 10 years</p> <p>Assumed build-up: Two years</p> <p>Persistence modelled: Nine years</p>

## Strategic Value Added and acceleration effects

- 5.70 The Solent Gateways programme is an excellent example of partnership working between the Solent LEP, the private sector and local authorities and other agencies (including the Crown Estate and Associated British Ports) in tackling challenging issues, and working together in order to achieve shared objectives.
- 5.71 The strategic leadership and catalytic activity arising from the Local Growth Deal investment will build the capacity for further coordination and influence in future. Examples of such capacity include:
- The scale of the Royal Pier Waterfront development scheme will inevitably improve the profile of Southampton, raising interest in future inward investment opportunities, as well as the ambitions of existing businesses
  - The Solent Gateways Board and Floating Bridge Board will continue to meet, bringing together senior representatives from key actors on both sides of the Solent
  - The Solent Gateways brand embodies the symbiotic relationship between the two local authority areas, as reflected by their joint working during the preparation of the business case and commitment to co-working in the determination of relevant planning applications
  - Developers and property agents will be actively promoting both Southampton and East Cowes as a place for businesses and property investors to invest
- 5.72 Examples such as these will ultimately lead to further project outcomes being delivered, including by other parties.
- 5.73 Based on the delivery timeframe and proximity to infrastructure projects, as well as market intelligence from local property professionals, we have made assumptions about which of the major development schemes across Southampton and East Cowes from 2015/16 to 2039/2040 may be catalysed as a result of the significant investment in and regeneration outcomes arising from the Solent Gateways programme.
- 5.74 Figure 5.12 shows that the assumptions regarding acceleration are conservative, and only affect two of the major development schemes.

**Figure 5.13 – Assumed impact of Shortlisted Options on major development projects across Southampton and Cowes 2015/16-2039/40**

Project	Do Minimum (Reference Case)	Shortlisted Option 1: Floating Bridge only	Shortlisted Option 2: Minor intervention	Shortlisted Option 3: Full supporting transport and enabling infrastructure Programme
Chapel Riverside, Southampton	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Columbine Building (West of Castle Street / Columbine Road), East Cowes	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Former Well Road car park, East Cowes	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Fruit and Vegetable Market, Southampton	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact

Heart of the city - Asda, Marlands, Southampton	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Itchen Riverside, Southampton	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Land around Above Bar Street, Southampton	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Land around Bargate, Southampton	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
North of Well Road, East of Waitrose supermarket and new town Square, East Cowes	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Ocean Village Area, Southampton	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Phoenix Yard, East Cowes	Insignificant impact	Insignificant impact	Insignificant impact	Enabled
Red Funnel East Cowes terminal building and marshalling yard, East Cowes	Insignificant impact	Insignificant impact	Insignificant impact	Enabled
Royal Pier Waterfront, Southampton	Insignificant impact	Insignificant impact	Minor development enabled	Enabled
Site east of Castle Street (opposite rear of Columbine building), East Cowes	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Station Quarter, Southampton	Insignificant impact	Insignificant impact	Insignificant impact	Minor acceleration
Trafalgar Dock	Insignificant impact	Insignificant impact	Insignificant impact	Enabled
Trinity Wharf and Trinity Yard, East Cowes	Insignificant impact	Minor development enabled	Minor development enabled	Enabled
Victoria Marina Development, East Cowes	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Watermark West Quay, Southampton	Insignificant impact	Insignificant impact	Insignificant impact	Insignificant impact
Western Gateway, Southampton	Insignificant impact	Insignificant impact	Insignificant impact	Major acceleration

Source: Fareham and Gosport Borough Councils; Hampshire County Council; market intelligence from local property professionals

5.75 The categorisation above has been applied from 2018/19 onwards, due to the phasing of infrastructure delivery, using the following assumptions:

**Minor acceleration:**

- **Station Quarter, Southampton:** Delivery beginning two years earlier and 20% faster compared to currently expected trajectories.

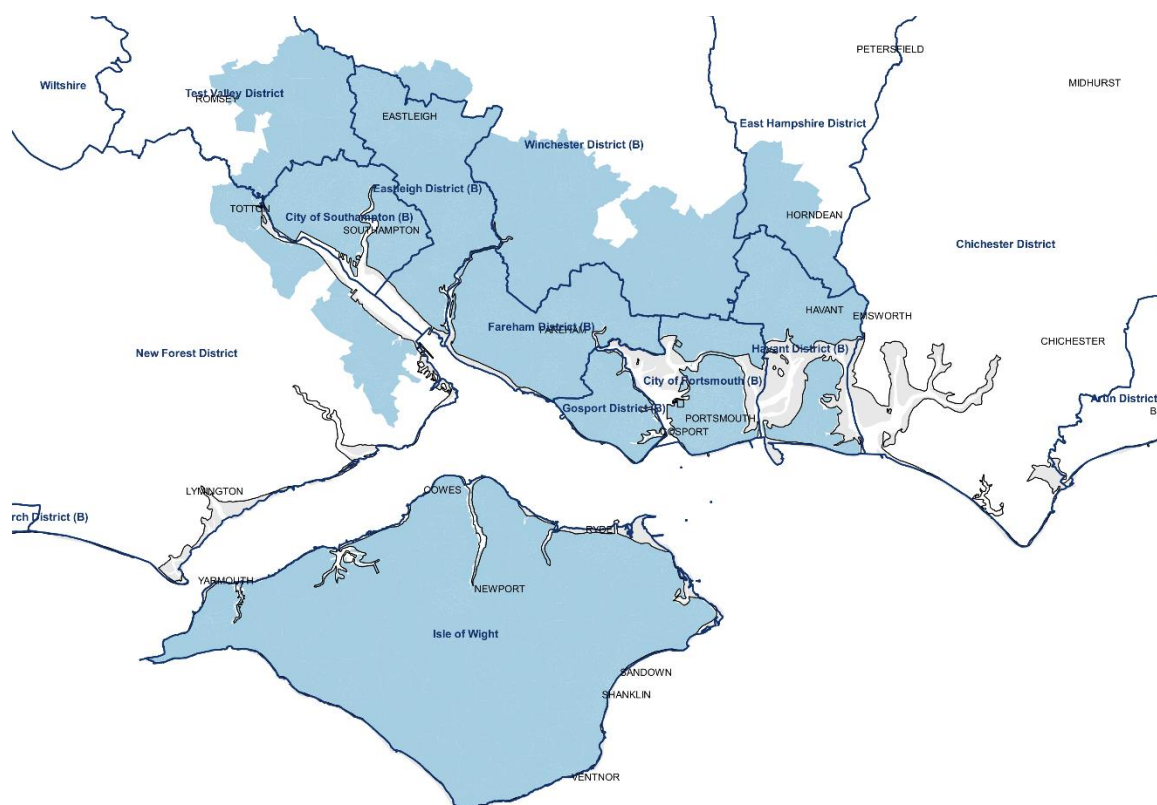
**Major acceleration:**

- **Western Gateway, Southampton:** Delivery beginning four years earlier and 40% faster compared to currently expected trajectories.

## Additionality

- 5.76 HMT's Green Book guidance requires that additionality be taken into account in appraising public sector investment, by accounting for leakage, deadweight, displacement and substitution. In assessing leakage, displacement and substitution, it is necessary to identify the spatial area (or group) affected by the intervention, taking account of product, labour, and in some cases, capital markets.
- 5.77 In 2010, 39 Local Enterprise Partnerships (LEPs) were set up, with geographical boundaries based upon both local authority areas and Functional Economic Market Areas (which take into account labour markets, housing markets, supply chains in industry and commerce, service markets for consumers, administrative areas and transport networks)<sup>12</sup>. Whilst around 10% of Local Authorities span multiple LEP areas, the local authorities of Southampton and Isle of Wight are both wholly and centrally located within the Solent LEP area (see Figure 5.13).

**Figure 5.14 – Solent LEP area**



*Source: Contains Ordnance Survey data © Crown copyright and database right 2015*

- 5.78 Whilst the objectives set out in the Strategic Case relate specifically to the Southampton and Isle of Wight local authority areas, this Business Case relates to funding from the Solent LEP, for infrastructure projects within two local authorities that are wholly and centrally located within the Solent LEP area. The Isle of Wight's six passenger and three vehicular routes to the mainland are all also within the

<sup>12</sup> BIS (2010) Functional Economic Market Areas: An economic note

Solent LEP area. We have therefore assumed the Solent LEP area as the spatial area for considering additionality.

5.79 We have therefore made the following assumptions relating to additionality:

- **Optimism bias:**
  - Assumed 30% for benefits arising from the delivery of new build housing, commercial floorspace and construction spend, as these arise primarily through the delivery of non-standard buildings (medium density development, dependent upon place making). Assumed 25% for benefits arising from public realm, as these arise through a mixture of standard and non-standard civil engineering (highways and public realm improvements, land reclamation)<sup>13</sup>. We have not adjusted the optimism bias already accounted for in cost estimates.
- **Leakage:**
  - Assumed 10% for benefits arising from delivery of commercial property, public realm improvements, construction spending and tourism and leisure. This is based upon the HCA's ready reckoner for 'low' leakage, due to commuting patterns and geographical situation within the LEP area<sup>14</sup>.
  - Assumed no leakage for benefits arising from delivery of new build housing, as there is no specific target beneficiary. This is in line with HCA guidance<sup>15</sup>.
- **Displacement and substitution:**
  - Assumed 10% for new build housing. Whilst housing delivery assumptions have been based on the Local Plan evidence base where possible to reflect need and demand, we have made a modest allowance for minor development projects that may be displaced or delayed by competition from major development projects.
  - Assumed 25% for B-class floorspace. This is in line with the HCA's ready reckoner for 'low' displacement, reflecting expectation that space will be occupied by growth from new or existing local businesses within the target sectors<sup>16</sup>.
  - Assumed 70% for retail floorspace. This is just below the HCA's ready reckoner for 'high' displacement, representing a conservative estimate considering the proportion of floorspace being delivered at district centres and the geographical situation within the LEP area<sup>17</sup>.
  - Assumed nil for public realm improvements, as these are site-specific and/or a non-market good.
- **Multiplier effects:**
  - Assumed multipliers of 1.44 for B-class floorspace, 1.38 for retail floorspace, and 1.56 for tourism and leisure activity. These are in line with the HCA's ready reckoners for regional multiplier effects.<sup>18</sup>
  - Assumed no multiplier effects on benefits arising from the delivery of new build housing or public realm improvements.
  - Assumed multiplier of 1.97 for benefits arising from construction spending. This is based upon the HCA's ready reckoner of 2.7 for the UK, adjusted down to a regional level.<sup>19</sup>
- **Deadweight:**
  - We have deducted all benefits arising from the Reference Case from the benefits arising from each of the Shortlisted Options appraisals, to account for deadweight.

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<sup>13</sup> HMT (2011) Green Book Supplementary Guidance: Optimism Bias

<sup>14</sup> HCA (2014) Additionality Guide, Fourth Edition

<sup>15</sup> HCA (2014) Additionality Guide, Fourth Edition

<sup>16</sup> HCA (2014) Additionality Guide, Fourth Edition

<sup>17</sup> HCA (2014) Additionality Guide, Fourth Edition

<sup>18</sup> HCA (2014) Additionality Guide, Fourth Edition

<sup>19</sup> HCA (2014) Additionality Guide, Fourth Edition



## Value for Money

- 5.80 To be prudent, all discretionary public sector costs are included in the CBA, alongside their associated benefits. This enables assessment of entire public sector value for money and reflects the mutual dependence of the investment commitments across various agencies. As is convention, historic and committed costs are not included in the CBA.

### Financial leverage

- 5.81 Figure 5.14 indicates the amount of funding that the Local Growth Deal's contribution towards the Intermediate Programme will leverage from other sources. These assumptions are subject to the caveats set out in the Financial Case.

**Figure 5.15 – Financial leverage ratios**

Ratio	Leverage ratio (£m)	Leverage ratio
<b>Discretionary public : Private</b>	16.0:532.0	1:33.24
<b>LGD : Private</b>	15.0:532.0	1:35.47
<b>LGD : Other discretionary public</b>	15.0:1.0	1:0.07

Source: BBP Regeneration analysis

- 5.82 The figure shows that the Local Growth Deal funding will leverage further public sector discretionary funding, namely a contribution to the cost of the replacement and modernisation of the Floating Bridge from the Isle of Wight.
- 5.83 When comparing the Local Growth Deal funding against private investment, there is leverage at a ratio of over 1:35 – that is to say, for every pound of Local Growth Deal spending, an additional £35 will be spent by the private sector.
- 5.84 This demonstrates that there are other stakeholders involved in delivery that have a financial interest in delivering the Solent Gateways programme on time, budget and quality, at acceptable levels of risk. It also demonstrates an exceptionally good level of leverage.

### Benefit Cost Ratios resulting from economic modelling, and sensitivities

- 5.85 Figure 5.15 below summarises the BCRs resulting from the economic modelling for each option. As is convention, neither growth nor inflation have been applied to the costs and benefits.

**Figure 5.16 – Benefit Cost Ratios resulting from economic options appraisal**

Shortlisted Option	PVC (£)	PVB (£)	BCR
Shortlisted Option 1 – Floating Bridge only	4,563,577	19,261,593	4.2
Shortlisted Option 2 – Minor intervention	11,575,011	48,248,059	4.2
Shortlisted Option 3 – Full Programme	15,408,671	697,758,161	45.3

Source: BBP Regeneration analysis

- 5.86 The modelling shows that the Full Programme offers the highest BCR (45.3 – ‘Very High’), followed by the Floating Bridge only and Minor intervention (both 4.2 – ‘Very High’).
- 5.87 Given that the Minor intervention option includes the replacement and modernisation of the Floating Bridge, **there is no additional benefit from the Minor intervention option above the Floating Bridge only option.**
- 5.88 The BCR provided above for the Floating Bridge only option is the result from Cost Benefit Analysis on a land and property basis. For details of the BCRs resulting from a WebTAG compliant Cost Benefit Analysis for the Floating Bridge, please refer to the *Transport Business Case* section later.
- 5.89 Based on the methodology that we have followed in modelling the costs and benefits of the Shortlisted Options, there are a number of factors that may not transpire exactly as assumed over the period 2015/16-2039/40. It is therefore prudent to consider the sensitivity of such changes upon BCRs.
- 5.90 The sensitivity of a BCR to reductions in persistence is often tested in sensitivity analysis; however, we have already used conservative estimates of persistence throughout (see earlier section).
- 5.91 We have, however, considered the possibility that further public sector investment is required to unlock economic benefits from later phases of Royal Pier Waterfront if, for example, market conditions change over the 10-year delivery period. We have therefore assessed the impact of removing the outputs from Phases 4 to 8 of Royal Pier Waterfront (accounting for 60% of the total outputs from the development scheme) from the BCR.
- 5.92 We also recognise that indirect economic benefits are harder to measure and attribute, and that some economic impact analysis methodologies therefore disregard these benefits entirely. We have therefore tested the removal of all indirect economic benefits from the BCR, namely:
- Benefits arising from public realm improvements
  - Benefits arising from additional construction spending
  - Benefits arising from increased tourism and leisure spending

**Figure 5.17 – Benefit Cost Ratio resulting from sensitivity testing (Highest BCR option)**

Shortlisted Option	PVC (£)	PVB (£)	BCR
Shortlisted Option 3 – Full Programme (Sensitivities applied)	15,408,671	129,313,732	8.4

Source: *BBP Regeneration analysis*

- 5.93 The BCR resulting from the economic modelling with sensitivities applied to the Full Programme as above shows an acceptable level of sensitivity. The BCR of 8.4 means that the option retains its original value for money band of ‘Very High’.

### **Cost-effectiveness**

- 5.94 To assess cost-effectiveness, we have assessed the amount of public sector discretionary spending required to generate each additional home and job, and compared this to a benchmark.
- 5.95 As the Shortlisted Options generate more than one type of output (both homes and jobs) from the same public sector discretionary spending, it is necessary to apportion this spending to each type of output. We have attributed the spending of delivering new build housing based on the residential floorspace area (based on an assumed average of 75 sq m per dwelling) as a proportion of total floorspace, with the remainder of the spending attributed to job creation.
- 5.96 Due to the temporary nature of construction jobs, we have disregarded the benefits from these; however, we have included job creation arising from increased tourism and leisure spend.



**Figure 5.18 – Public sector discretionary spending per output**

Option	Public sector discretionary spending attributed to additional new build housing (£)	Public sector discretionary spending per additional dwelling (£)	Public sector discretionary spending attributed to additional jobs (£)	Public sector discretionary spending per additional job (£)
Benchmark	n/a	77,427	n/a	32,312
Shortlisted Option 1 – Floating Bridge only	-	n/a	4,563,577	7,557
Shortlisted Option 2 – Minor intervention	9,260,009	34,228	2,315,002	2,075
Shortlisted Option 3 – Full Programme	10,169,723	6,628	5,238,948	994
Shortlisted Option 3 – Full Programme (Sensitivities applied)	10,786,070	12,480	4,622,601	1,439

Source: DCLG (2010) *Valuing the Benefits of Regeneration; BBP Regeneration analysis*

- 5.97 Figure 5.17 above shows that the amount of public sector discretionary spending per additional dwelling and job is far lower than the benchmark across all Shortlisted Options. This is due to financial leverage (see *Financial leverage* above) and the strong logic chain from inputs and activities leading to outputs (see *Logic chain* above).

### Transport Business Case (including WebTAG appraisal)

- 5.98 A Transport Business Case has been prepared for Shortlisted Option 1 (replacement and modernisation of the Floating Bridge across the River Medina), incorporating independent WebTAG modelling and appraisal by Systra.
- 5.99 The business case has been prepared on behalf of Isle of Wight Council under the provisions of Department for Transport WebTAG guidance. It should be considered alongside this overarching business case.
- 5.100 The Solent Gateways project represents a sustained and comprehensive effort to bring back into productive use underperforming assets and to improve economic growth. The Floating Bridge is an integral part of this programme. The objectives of The Floating bridge replacement scheme are to:
- Provide direct pedestrian access between the two town centres of East and West Cowes, to ensure their future vitality and competitiveness in a global tourism market;
  - Allow for continued river access upstream for commercial and private vessels with an air draft of up to 200 ft and maintain the existing water draft of up to a minimum of 1.3m;
  - Provide continuity of river crossings during the delivery period;
  - Improve reliability in operation, which has become more critical since the reserve ferry was decommissioned in 1982;
  - Minimise congestion on the local road network, particularly where this negatively impacts the economic potential of town centres;
  - Ensure affordable fares for a population that experiences high levels of deprivation;
  - Safeguard and enhance the value for money of the substantial delivery of the East Cowes Project Masterplan, adopted in 2006 and subsequent planning permission in October 2007;

- Enhance environmental sustainability, through reduced operational energy requirements and carbon emissions.

- 5.101 The Solent Local Enterprise Partnership has been granted £15 million of funding through the Local Growth Deal and for the purpose of the Solent Gateways project, of which the Floating Bridge is a critical element. The business case enables an award to be made by satisfying the requirements of the LEP Assurance Framework (December 2014).
- 5.102 The Strategic Case shows the close fit of the scheme with the policy framework adopted by Isle of Wight Council, and those of the LEP. A key objective of the Isle of Wight's Core Strategy is to reduce the need to travel, to improve accessibility across the Island and maintain functional transport links with the mainland. The replacement and modernisation of the Floating Bridge is critical to the delivery of these aspirations, being one of only two vehicular access/egress points for East Cowes that will come to the end of its economic life within the next two years. The rationale for the investment of Local Growth Deal funds is to address market failures through addressing a recognised transport infrastructure deficit and thereby providing a platform for economic growth.
- 5.103 The Economic Case has assessed the scheme as offering a very high level of value for money. The modelling shows a benefit cost ratio (BCR) of 1:3.5, and 1:3.8 when the Red Funnel growth is added in the sensitivity testing. This chapter also details the Options Appraisal.
- 5.104 The costs, benefits and Benefit Cost Ratios resulting from the economic modelling are summarised below.

**Figure 5.19 – Benefit Cost Ratios arising from economic modelling**

Scenario	PVC (£m)	PVB (£m)	BCR
Baseline	£8.7m	£30.6m	3.5
Increased demand from growth in tourism and leisure visitors	£7.87m	£29.9m	3.8

Source: Systra and Parose Projects (2015) Cowes Floating Bridge Business Case; DfT (n.d.) Value for Money Assessments

- 5.105 In addition, there are a variety of benefits that are not accounted for in the economic modelling above, as summarised in Figure 5.19.

**Figure 5.20 – Non-monetised benefits and disbenefits**

Non-monetised impact	Increased demand from growth in tourism and leisure visitors
User benefits	Significantly beneficial
Regeneration	Moderately beneficial
Wider impacts	Significantly beneficial
Noise	Neutral
Air quality	Neutral
Security	Neutral
Landscape, townscape and Historic Resources	Moderately beneficial
Biodiversity and water environment	Neutral
Journey time reliability	Significant beneficial
Journey time savings	Significantly beneficial
Severance	Moderately beneficial
Security	Neutral
Accidents	Neutral
Physical activity	Neutral

<b>Accessibility</b>	Large beneficial
<b>Journey quality</b>	Large beneficial
<b>Personal affordability</b>	Slightly beneficial
<b>Option and non-user values</b>	Large beneficial

Source: Parose Projects (2015) Floating Bridge Transport Business Case

- 5.106 The Commercial Case sets out the Council's approach to contracting and ensuring Value for Money of the scheme.
- 5.107 The Financial Case sets out the total costs of the scheme. This results in a funding requirement through Local Growth Deal for:
- 2015/16 – £1,231,000
  - 2016/17 – £2,449,100
- 5.108 The Management Case describes the overarching governance and management arrangements put in place by IWC, including a uniquely qualified Project Board.
- 5.109 A detailed Risk Register was prepared for the Floating Bridge Transport Business Case. A programme timeline was also prepared, setting out the key milestones for design, procurement and construction.

## Effectiveness

- 5.110 Figure 5.20 below assesses the effectiveness of the Shortlisted Options in meeting the SMART objectives outlined in the Strategic Case.

**Figure 5.21 - Effectiveness of Shortlisted Options in meeting SMART objectives**

Strategic objective	Do Minimum (Reference Case)	Shortlisted Option 1: Floating Bridge only	Shortlisted Option 2: Minor intervention	Shortlisted Option 3: Full supporting transport and enabling infrastructure Programme
Maximise the delivery of new homes and the creation of new jobs	x	x	x	✓
Improve the capacity and resilience of transport services connecting Southampton and the Isle of Wight, including critical freight services. Enhance the arrival and interchange experience for national and international users of these key gateways	x	x	(✓)	✓
Increase the number of visitors to Southampton and the Isle of Wight, especially those staying overnight. Encourage visitors	x	x	(✓)	✓

to spend more, stay longer and come back more often				
Better integrate the waterfronts in Southampton and East Cowes with their city and town centres, respectively, by addressing physical and visual barriers	x	x	x	✓
Provide direct pedestrian access and reduce vehicular journey times between the two town centres of East and West Cowes, to ensure their future vitality and competitiveness in a global tourism market	x	✓	x	✓
Minimise congestion on the local road networks, particularly where this risks negatively impacting the vitality of town centres	x	(✓)	x	✓
Bring a vibrant mix of uses and continuous public access to under-utilised waterfront areas in Southampton and East Cowes, whilst preserving the role of Mayflower Park as an important public open space and enhancing its role as the main site of the annual Southampton International Boat Show	x	x	✓	✓
<b>Assessment (Out of 7.0)</b>	<b>0.0</b>	<b>1.5</b>	<b>2.0</b>	<b>7.0</b>

Source: BBP Regeneration analysis

- 5.111 The assessment shows that the full supporting transport and enabling infrastructure programme achieves the highest degree of effectiveness in terms of meeting the SMART objectives (7.0 out of 7.0). Options 1 and 2 do not meet all of the SMART objectives (achieving 1.5 and 2.0 out of 7.0, respectively). The Reference Case would not meet any of the SMART objectives.

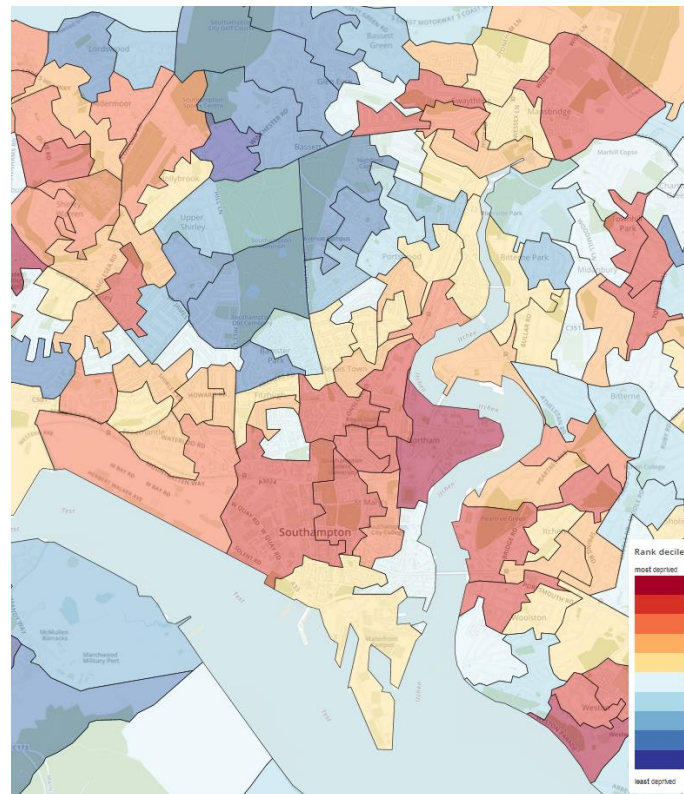
## Distributional impacts

- 5.112 The Green Book (HMT, 2011) requires appraisers to identify how the costs and benefits of public sector investment accrue to different groups in society. This is particularly relevant in the case of land and property projects because they often deliver greater benefits to those located in closest geographical proximity - a phenomenon known as 'distance decay'. Land and property owners also tend to benefit disproportionately to other beneficiaries due to betterment arising from increases in demand and values.
- 5.113 Central Southampton, East Cowes and Cowes all experience high levels of deprivation, as calculated by the Index of Multiple Deprivation (which takes into account income; employment; health and disability; education; skills and training; barriers to housing and services; crime, and; living environment).

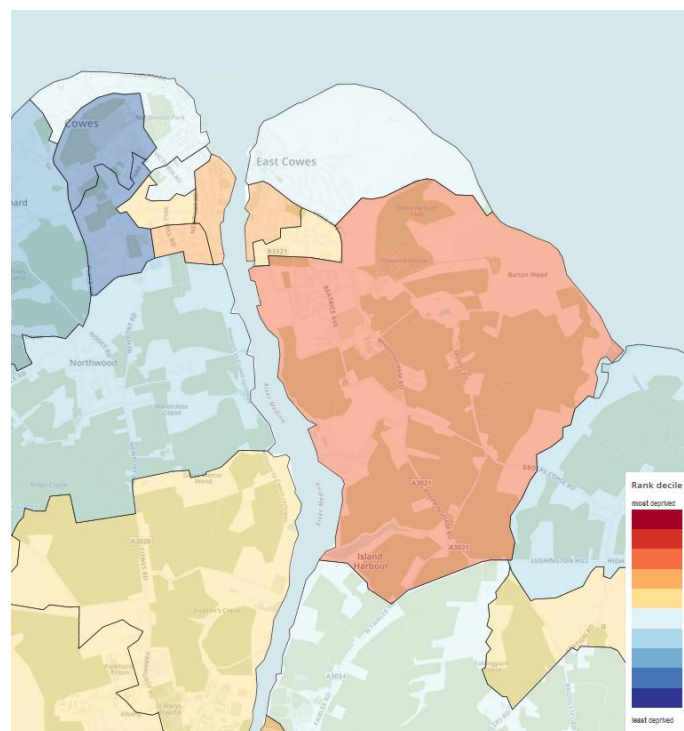
5.114 Figure 5.21 shows that central Southampton, in particular, has some of the most deprived Lower Super Output Areas (LSOAs) in the country. Indeed, the area around Northam in east Southampton is in the top (most deprived) decile nationally.

Figure 5.22 – Index of Multiple Deprivation 2010

### Southampton



### Isle of Wight



Source: OpenDataCommunities, © Mapbox © OpenStreetMap

5.115 The logic model in Figure 5.1 shows how the Solent Gateways Programme will deliver positive impacts and outcomes to the residents living in these deprived areas, ultimately leading to reduced deprivation, improved quality of life and greater opportunity in terms of access to employment and housing.

## Summary of Economic Case

5.116 The Preferred Option is Shortlisted Option 3, the Full Programme, which:

- Delivers the highest level of net additional outputs: 5,270 FTE jobs (excl. construction jobs), 790 homes, 59,929 sq m of commercial floorspace (excluding tourism and leisure facilities);
- Is the most effective in meeting the programme objectives;
- Provides value for money, presenting a BCR of 45.2;
- After applying sensitivity, the BCR is 8.4;
- Is cost effective when assessed on the basis of public sector discretionary spending per net additional FTE job and additional new dwelling;
- Provides leverage for the Local Growth Deal funding measured against private investment at a ratio of 1:35.47 and a total discretionary public to private ratio of 1:0.07;
- Achieves positive distributional benefits targeting deprived communities.



## 6. The Commercial Case

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- 6.1 The Commercial Case considers the commercial viability of the Programme including the level of demand, ownership and other rights to be able to undertake the works and the procurement strategy that will be used.

## Demand

Royal Pier Waterfront and Trafalgar Dock	East Cowes	Floating Bridge
<b>Demand</b>		
<p>Southampton City Council selected Morgan Sindall Investments Limited (MSIL) through an OJEU compliant competitive procurement process. MSIL were selected on the basis of a 20 year works concession. RPW (Southampton) Limited is a joint venture company set up specifically to deliver the project owned by MSIL and funders Lucent Group.</p> <p><b>Residential</b> – Royal Pier Waterfront has the potential to be one of Southampton's prime residential areas – the quality of the proposed development, its waterside location and views, the complementary mix of uses and excellent location close to the station, other modes of transport and the City Centre should combine to create a first class living environment comparable with the best international examples. Southampton is a strong location for residential investment in the south east of England due to its growing population and established private rented sector.</p> <p>More widely, the ongoing undersupply of homes for sale in stronger markets, particularly in the south, is contributing to price increases and boosting demand for new build properties. Southampton retains a buoyant housing market and is supported by a dynamic business environment, excellent transport and infrastructure, exceptional education and learning establishments and is a centre of cultural and heritage diversity. With considerable regeneration and development planned over the next few years, house prices are set to increase, according to property consultancy Jones Lang LaSalle. More jobs, greater security in jobs and wage rises will become widespread which is expected to lead to much</p>	<p><b>East Cowes Regeneration Opportunities</b></p> <p>Red Funnel's existing marshalling yards, Phoenix Yard and Trinity Yard, combined with land being purchased from the HCA at Trinity Wharf, provide redevelopment opportunities to enhance the retail, leisure and residential offer in East Cowes. The combined Trinity Yard and Wharf sites will open up public access to the East Cowes waterfront. This will have a west facing aspect that will benefit from the evening sun, an important consideration for bars/restaurants. Residential and a hotel uses on these sites will command excellent views across the Medina to West Cowes. The extent of residential development over the last few years and the Waitrose store has brought more people in to East Cowes, but the traditional town centre had seen a decline over a longer period leaving very few other amenities for this new influx of people to utilise.</p> <p>Commercial property agents are of the opinion that developers will see this as an opportunity to tap in to a wider market that has been created over the last few years. Whilst the opportunity has not yet been openly marketed there is active interest from a number of regional and national development companies. Agents are confident there will be strong levels of demand from development companies and from restaurant operators in the proposed waterfront units. There are also currently office occupiers in the buildings on Trinity Wharf who along with other small office occupiers are expected to generate demand for space. Other than Waitrose and Co-op, the current retail offer in the town is very limited, reflecting the previous long term decline, but not the increase in residents and visitors that has occurred more recently.</p>	<p>The existing Floating Bridge is 38 years old and at the end of its asset life span. It is already the oldest structure of its kind in the country and has to be replaced in the next two years to avoid significant congestion and journey times for the 1.8m annual passengers, including visitors, commercial vehicles and local foot and cycle traffic.</p> <p>The removal of this important transport link would have significant implications for local connectivity between Cowes and East Cowes.</p> <p>Water taxis already transport passengers around the harbour, and such a service could in theory be provided between the two town centres in the current Floating Bridge location by a private sector operator</p> <p>Vehicles wishing to travel between East and West Cowes would then be required to drive 10.3 miles south via Newport, crossing at Coppins Bridge. As well as increased journey times of due to the diversion (currently a minimum of 20 minutes), journey times for existing users would also be increased.</p> <p>The road network on the Isle of Wight radiates out from Newport at its centre to the other main settlements, including Cowes and East Cowes, which are generally located on the coast. The result of this layout is that traffic can become congested particularly at peak times in and around Newport, in particular Coppins Bridge gyratory, St Mary's roundabout to the north and other approach roads. Congestion can be exacerbated during the summer season when the Islands population almost doubles. This can have a detrimental impact on journey time reliability, accessibility to services including the</p>

<p>greater household confidence and ultimately will result in higher housing demand.</p> <p>Jones Lang LaSalle are expecting UK prices to rise by 4% next year but prices in the South East to increase by 5%. Over the next five years they are forecasting house prices to rise by 27% in the South East, notably higher than the 23% in the UK. Southampton was also found to be one of the highest yielding buy-to-let property investment locations in the UK in 2014 with a gross residential yields of 9% (HSBC, 2015).</p> <p>While there is some pipeline development, there is a general lack of new supply, especially for young people with finance, downsizers and second home owners. The best stock is therefore going quickly for these groups. Ocean Village offers the best comparable development to the Royal Pier Waterfront (RPW), the sales at which have been very strong. Admiral's Quay, a development of 1-, 2- and 3-bed flats, has been selling at around 20 units per month since launching in February 2014.</p> <p><b>Retail</b> – Southampton is already a strong retail destination, being the dominant centre on the south coast. A 'soundness check' and update of City Council's retail capacity evidence base was prepared in February 2015 to inform the preparation of its current and emerging development plan documents. In summary, the revised capacity forecasts show the potential for between 31,487m<sup>2</sup> net (41,982m<sup>2</sup> gross) and 44,252m<sup>2</sup> net (59,003m<sup>2</sup> gross) of new comparison goods floorspace in Southampton City Centre over the development plan period to 2026. The Southampton rental market has proven to be counter-cyclical during the recession, with high levels of demand and a strong uplift in supply. Demand is now outstripping supply shown by rising rent levels and is expected to continue. There is an opportunity to offer a range of affordable premium multiples in combination with more high end independents.</p>	<p>Commercial property agents consider that Trinity Wharf/Yard has the potential for residential/ holiday units and/or hotel use on the upper floors whilst the Phoenix site has potential mainly residential scheme. Residential agents are firmly of the opinion that demand exists for housing and flats in this location.</p> <p><b><u>Red Funnel Ferry Services</u></b></p> <p>Red Funnel provides vehicle and passenger ferry services between Southampton and Cowes on the Isle of Wight. Red Funnel has a long history of providing a vital service in connecting the residents of the Isle of Wight with the mainland as well as supporting the industries of the Island, particularly tourism, with customers originating from the UK mainland and overseas. In 2013 Red Funnel carried 746,000 vehicles to and from the Isle of Wight (IW) as well as 2.1m passengers on the vehicle ferries and 1.1m passengers on the high speed catamaran 'Red Jet' service. The current East Cowes terminal has the capacity to hold 220 CEU which equates to 103% of a full load of one of the RoRo ferries. However the vehicle holding yard is divided into two distinct areas, Trinity Yard and Phoenix Yard, the two being divided by a public road. The terminal building can hold approximately 60 foot passengers and provides a ticket office and toilet facilities. A small 'Steam' cafe outlet is provided by a kiosk located outside the terminal building. In the holding yard, the capacity for freight traffic is very limited; in particular only 6 drop trailer bays are available, compared to the 40 in the current Southampton terminal and 60 in the new Berth 50 Southampton terminal. In addition the current terminal has restrictions as to where freight trailers can be stored. Due to the volume of traffic flowing through the Red Funnel East Cowes terminal, coupled with the poor layout and adjacent road network, the Red Funnel operation poses a significant commercial and environmental impact on the East Cowes town community.</p> <p>Over the period to 2020, Red Funnel expects to grow annual CEU volume on the Southampton-Cowes route</p>	<p>major employers, the Island's hospital, primary retail centre and impact on the local environment including noise and air pollution.</p> <p>Transport modelling work undertaken over a number of years on behalf of the Council have helped quantify local traffic flows, how these have increased as a result of development and economic activity and how pressure could increase in the future as a result of further planned development in the area. The resulting report, which was tested at the Examination in Public of the Island Plan – Core Strategy showed that even with improvements to travel by sustainable means - walking, cycling and public transport, traffic congestion in Newport will get worse unless measures are taken to increase capacity in the road network around Newport.</p>
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<p><b>Hotels</b> - In terms of overall trends the Southampton hotel market has strengthened significantly in the last 3 years, particularly in 2014, with continued growth in the cruise market alongside recovery and renewed growth in corporate and contractor demand, stronger leisure break business, particularly for Peppa Pig World, and an increase in football demand since Southampton FC were promoted to the Premier League in 2012. The large tourism market in Southampton coupled with a relative lack of supply means there is headroom to add a significant amount of hotel space in the city. A report, Hotel Market Fact Files, May 2015, prepared for Southampton City Council, points to forecast increased demand supporting new hotel development with RPW forming an important strategic project to accommodate this demand. Key sources of business demand include: corporate events, residential conferences, business generated by exhibitions, conventions and events, cruise ship crew and aircrew (for Southampton Airport) and university related demand. Southampton City Centre's current offer lacks an international 4/5* hotel brands. There is an opportunity for an additional Budget hotel within Southampton City Centre as existing Budget hotels are trading at high levels of occupancy and are consistently turning business away during the week and at weekends. Southampton City Centre could also support further Boutique hotels and could potentially attract a national brand or an emerging boutique budget brands.</p> <p><b>Leisure</b> – A Commercial Leisure Needs Study prepared for SCC in March 2015 identified a need for additional facilities to be determined by the market and in response to development opportunities. It highlighted an improving economy and rising household incomes would lead to growth of the F&amp;B sector and that additional demand for F&amp;B is likely. Also that, the creation of new destinations within the city centre will help drive demand for additional leisure uses within the city.</p>	<p>from 1,015,938 in 2013 to 1,297,737 in 2020. This growth will be achieved by higher utilisation of the existing 3 RoRo ships, which by inference will mean a higher overall load factor. As load factors increase the ability of the East Cowes terminal to handle the volume of traffic will become infeasible due to constraints in the yard area.</p> <p>An operational research study has been conducted concerning the constraints of the East Cowes terminal and what impact a new terminal design would have on traffic management. The study found the number of customers affected/delayed by the current constraints of the terminal are very significant and will only get worse.</p> <p>Within the growth of CEU over the plan period Red Funnel intends to exploit its unique drop trailer freight capability which offers customers a significant commercial and environmental benefit. However to achieve growth in this segment will require greater drop trailer holding capacity in East Cowes. Associated with the increase in traffic generally and specifically for freight the impact on the East Cowes town community is likely to become intolerable. As the current East Cowes terminal is very limited in the number of passengers that can be accommodated in a waiting area and the public transport interchanges are poor, the development of a new terminal is key to this strategic intent.</p> <p>Fundamental to the BP2020 plan is that Red Funnel will provide the best customer experience in crossing the Solent. The current East Cowes terminal is rudimentary and not aligned with the standards of comparable transport modes. The re development of the terminal will enable the deficiencies in the customer experience to be addressed.</p>	
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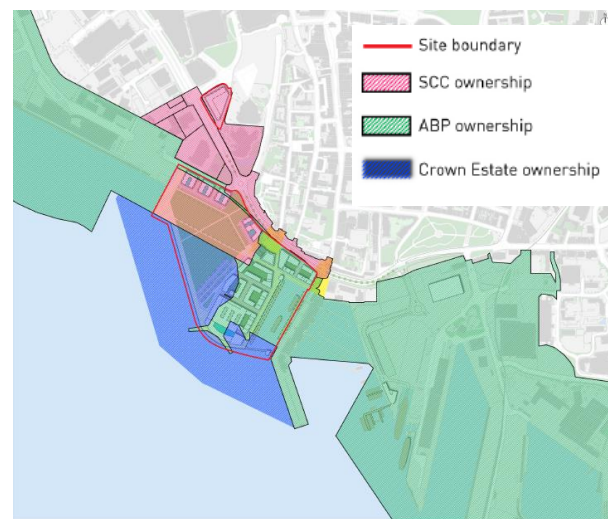
## Ownership and Rights

Royal Pier Waterfront and Trafalgar Dock	East Cowes	Floating Bridge
<b>Ownership and Rights</b>		
<p>A conditional Development Agreement (CLDA) was signed in February 2014 between Associated British Ports (ABP), Crown Estate Commissioners), Southampton City Council as landowners and RPW (Southampton) Limited (the Developer).</p> <p>The CLDA is let to the Developer for a Concession Period of 20 years which is subject to a number of scheme pre conditions :</p> <ul style="list-style-type: none"> <li>• The grant of a satisfactory Transport and Works Act Order</li> <li>• The grant of a satisfactory scheme Planning Permission</li> <li>• The grant of a satisfactory Marine Licence</li> <li>• The passing of a Best Consideration Resolution by the Council</li> <li>• Satisfaction of the Scheme Highway Condition</li> <li>• The completion of a satisfactory Red Funnel Relocation Agreement</li> <li>• The satisfaction of the HV Condition</li> <li>• No successful Procurement Challenge</li> </ul> <p>The Developer is required to use its reasonable endeavours to satisfy the Pre Conditions and has agreed to provide security to the landowners by placing an agreed monetary sum into an Escrow account which is administered by Eversheds LLP acting as Escrow Agent.</p> <p>The development works will be the subject of a number of separate drawdown leases which the developer is to bring forward. The Scheme is to be developed in separate phases the first of which is the Reclamation Phase which is to comprise the reclamation works required for the reclamation of land from the sea bed</p>	<p><i>Public realm and highways works</i> are being undertaken on public highway. There have been no significant land ownership issues identified that could affect the delivery of transport and public realm improvements associated with the East Cowes Public Realm Scheme.</p> <p>The majority of the works will be on the highway and areas of footway maintained by Isle of Wight Council (or Island Roads under the PFI contract) but there are two small areas of unregistered land on the edges of Bridge Square which are shown on the land ownership plan.</p> <p>Following investigations by Council's Legal Team no additional ownership information has been identified with regard to these unregistered areas. The Isle of Wight Council will apply to the land registry for registration of part of this land and will be continuing to liaise with adjacent properties and utility companies to ensure that work in these locations can be completed. However, the small unregistered areas of land are not critical to the delivery of the project. Proposed transport and public realm improvements could be implemented without including these areas if required although it is not anticipated that this will be necessary.</p> <p><i>Red Funnel works:</i> Red Funnel has agreed to buy the land collectively referred to as Seaholme Yard from HCA, comprising of the Medina Building, Redux Building and 'Paint Shop' together with the associated hard standing areas to the River Medina waterfront.</p> <p>The HCA has already agreed short term lease arrangements with various parties for each of the</p>	<p>The works are being undertaken on public highway and there are no third party property interests involved.</p>

under and around the Royal Pier. However the reclamation works may not be commenced until Red Funnel has been relocated from their existing premises to the Red Funnel New premises.

The Red Funnel Relocation Agreement is to be a separate tri partite agreement to be entered into between the Developer, ABP and Red Funnel for the construction of the new facility at Trafalgar Dock and the relocation of Red Funnel from their existing premises. This agreement is at an advanced stage of negotiation at the time of preparing this business case.

**Figure 6.1 – Land ownership at Southampton**



Source: Urban Initiatives Studio

buildings in Seaholme Yard. The HCA has agreed that these lease agreements will novate to Red Funnel.

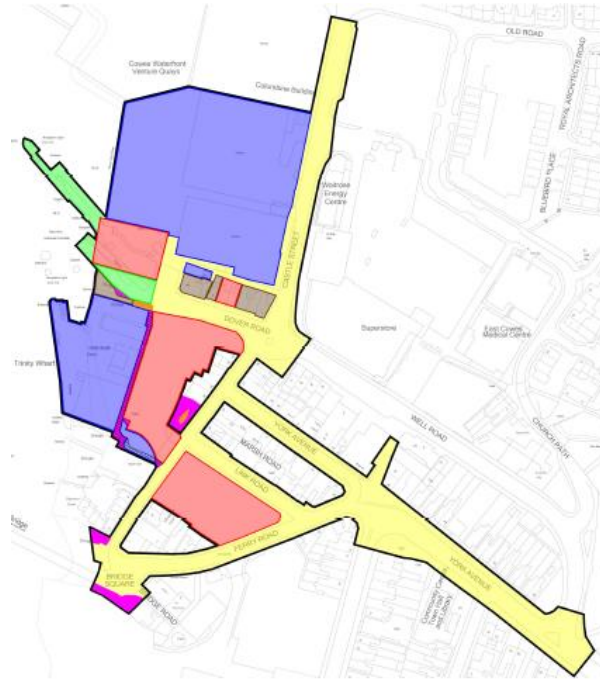
Adjacent to the Seaholme Yard there are a number of properties that would also need to be acquired to facilitate the new terminal development. These are :

- a. The White Hart public house
- b. Medina View – This is owned by the HCA. Terms have been agreed with the
- c. 1-6 Dover Road. Red Funnel already own numbers 4 and 5 Dover Road. Numbers 1, 2, 3 and 6 would hopefully be purchased amicably in 2015. If this is not possible a Compulsory Purchase Order route will be taken.

Isle of Wight Council has confirmed that should it prove necessary to do so the Council would be willing to consider the use of CPO powers to support the land acquisition necessary to deliver the East Cowes masterplan.

In early 2014, Red Funnel bid for a £3m long term loan from the Solent Growing Places Funds. This loan was granted to Red Funnel in September 2014. It has been agreed with the Solent Growing Places Fund that the money can be used for procuring the various elements of land in the East Cowes development plan. It is assumed that £2.85M of this loan will be utilised in / 2015 with repayment due in 5 equal instalments between 2016 and 2020.

Figure 6.2 – Land ownership in East Cowes



Source: Parose Projects



## Procurement

Royal Pier Waterfront and Trafalgar Dock Procurement	East Cowes	Floating Bridge
<p>RPW (Southampton) Ltd will carry out a competitive procurement exercise for both professional services and construction work. Initially a review of the prospective consultants and contractors will be undertaken to ensure they have appropriate experience and available resources capable of taking on the required work. Quality of similar size projects will be reviewed along with their ability to work as part of a large construction team.</p> <p>An independent cost consultant will be employed to produce tender documentation and oversee the tender process, ensuring that bids are comparable and fully complete. The cost consultant will produce a tender report with recommendations for award, following which contracts will be awarded. The main packages will be:</p> <p><i>Terminal Building( this will include heritage and public realm works)</i> - Single stage Design &amp; Build procurement based upon the Planning submission drawings, Employer's Requirements and outline specifications from the various disciplines.</p> <p><i>Decked Car Park</i> - Single stage Design and Build procurement utilising specialist car park contractors who will provide a turnkey solution.</p> <p><i>External Works (Marshalling yard and Promenade)</i> - (nb this element will include public realm works associated with road and footpath works). Single stage Design &amp; Build procurement route based upon Planning submission drawings, ER's and outline specifications.</p> <p><i>Marine Civil Engineering</i> - Single stage Design and Build based upon ER's and Ramboll design information.</p>	<p>A shared service arrangement with SCC/BBLP Highways Partnership has been put in place to progress Detailed Design and Project Management for the scheme. Construction will be carried out by Island Roads. Island Roads is a partnership established by the Isle of Wight Council, VINCI Concessions, Meridiam Investments and Ringway to provide the highway maintenance services on the Isle of Wight from 1st April 2013. It is a competitively tendered 25 year 'pathfinder' Private Finance Initiative (PFI), using a Special Purpose Vehicle, sponsored by central government, deploying an SOPC4 contract. It includes a 7 year Core Investment period of which 1.5yrs has elapsed. The contract has provision for bespoke programmes of work. The East Cowes Town Centre works will be accrued into the asset register, ensuring consistency and v-f-m within the terms of the contract. An Independent Certifier has already been appointed as part of the partnership arrangements. The IC will be given specific instruction with regard to the East Cowes Town Centre works programme. Under the agreement, Island Roads must have regard for the contract's carbon and water footprints.</p>	<p>A full OJEU compliant process has been set in train by Isle of Wight Council. Advice has been retained from the most recently procured Floating Bridge in the UK, the King Harry in Poole, to establish the most advantageous methodology and payment sequencing. Any overruns will be the responsibility of Isle of Wight Council, subject to formal approvals.</p> <p>The Isle of Wight Council has organised its tender process to ensure graded options are offered against the specification. In this way, value engineering is built into the process to ensure an affordable option is available for selection.</p> <p>A supplier's day was held on 2nd December 2014. The Council took the decision to separate the procurement of a naval architect from the construction (boat building). Two OEJU compliant processes have begun under the direction of the Council's Commercial Services Manager.</p> <p>The tender specification will set out staged payments against delivery on the following basis:</p> <ul style="list-style-type: none"> <li>• Payment at contract award</li> <li>• Acceptance of general drawings/layout</li> <li>• Purchase of materials (steel etc.)</li> <li>• Payment at 50% completion of hull</li> <li>• Payment at 100% hull + 80% prows assembly</li> <li>• Completion of all internal &amp; external painting; chain wheel fabrication, watertight doors, main hatches; car deck gates and handrails installed. Vessel delivered for fitting out</li> <li>• Cable Tray installation; switchboard on board ready for connection</li> <li>• Main engines &amp; drive wheels installed</li> </ul>

Royal Pier Waterfront and Trafalgar Dock	East Cowes	Floating Bridge
<p><i>Linkspans</i> - Single stage Design and Build based upon ER's and Ramboll design information.</p> <p><i>Dredging Operations</i> - Single stage Traditional procurement route based upon detailed drawings &amp; specifications, marine surveys and environmental restrictions.</p> <p><i>Enabling Works (HV service diversion and new substation)</i> - This element may be a critical path item for the site and the full extent of the diversion works are being investigated.</p> <p>Any overruns will be the responsibility of the developer, RPW (Southampton) Ltd.</p>		<ul style="list-style-type: none"> <li>• Installation of all major systems</li> <li>• Fit out complete &amp; dock trials commenced</li> <li>• Final delivery and acceptance</li> <li>• Release of retention</li> </ul>

## Sourcing Options

- 6.2 The sourcing options are described above in the procurement strategy. The strategy has been designed to maximise value for money, based on experience of how to make complex projects work on the ground. Risks will be shared, while quality, timeliness and innovation will specifically feature into the contracting regime of each of the three distinct elements. Within each of the three contracting arrangements, there is provision to utilise a range of specialist sub-contractors to augment the capacity of the principal contractor.

## Payment Options

Royal Pier Waterfront and Trafalgar Dock	East Cowes	Floating Bridge
<b>Payment Options</b>		
The payment arrangement for the works will be regulated by the provisions of an agreed Building Contract (see Procurement above) whereby monthly applications will be made by the Principle Contractor to the Independent Certifier. The application will include all subcontractor and direct trade costs incurred during that month.	Payments will be made to the contractor under the provisions of Island Roads existing SPOC4 contract for bespoke packages of works.	<p>The tender specification will set out staged payments against delivery on the following basis:</p> <ul style="list-style-type: none"> <li>• Payment at contract award (10%)</li> <li>• Acceptance of general drawings/layout (5%)</li> <li>• Purchase of materials (steel etc.) (10%)</li> <li>• Payment at 50% completion of hull (10%)</li> </ul>

<p>The Independent Certifier will review the application against an anticipated cash flow and will also consult with the Design Team for approval to verify that the works claimed for have been carried out and are constructed to a standard as defined within the detailed design.</p> <p>Subject to any adjustment to the application value the Independent Certifier will issue a valuation, to both SCC/LEP and RPW Ltd with a copy to the Principal Contractor. RPW will then raise an invoice and submit to SCC/LEP for payment. The Principal Contractor will raise an invoice and submit to RPW for payment. All payment terms will be in accordance with the provisions of the Building Contract.</p>		<ul style="list-style-type: none"> <li>• Payment at 100% hull + 80% prows assembly (10%)</li> <li>• Completion of all internal &amp; external painting; chain wheel fabrication, watertight doors, main hatches; car deck gates and handrails installed. Vessel delivered for fitting out (10%)</li> <li>• Cable Tray installation; switchboard on board ready for connection (7.5%)</li> <li>• Main engines &amp; drive wheels installed (10%)</li> <li>• Installation for all major systems (10%)</li> <li>• Fit out complete &amp; dock trials commenced (7.5%)</li> <li>• Final delivery and acceptance (7.5%)</li> <li>• Release of retention (2.5%)</li> </ul>
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## Risk Allocation and Transfer

Royal Pier Waterfront and Trafalgar Dock	East Cowes	Floating Bridge
<b>Risk Allocation and Transfer</b>		
<p>The construction works will be competitively procured and the appointment of the principle contractor will be subject to the entering into of an agreed Building Contract (see Procurement above) with RPW, together with a requirement to enter into a collateral warranty and a parent company guarantee. Any subcontract and or direct trade works will be subject to a separate contract with the Principle Contractor which will reflect the provisions of the main Building Contract. In addition the main contract will include a liquidated and ascertained damages provision which will enable a pre-determined sum to be recovered from the Principal Contractor if they are late in handing over the works.</p>	<p>The Island Roads SPOC4 contract sets out the method of risk allocation &amp; transfer.</p>	<p>A project risk register will be developed by the Council's Commercial Services Manager, this will focus on the high level risks i.e. programme, costs, key deliverables – in addition to this the successful contractor will be required to maintain a construction based risk register which will be subject to the Council's regular review.</p>

## Contract Length

Royal Pier Waterfront and Trafalgar Dock	East Cowes	Floating Bridge
<b>Contract Length</b>		
The contract will be designed to ensure delivery within the timescales set out in the Tripartite Agreement.	The Island Roads PFI has 23 years to run. The bespoke package of works for East Cowes Town Centre will be time limited, using the provision and incentives set out in the SPOC4 contract.	The specification requires tenderers to set out timescales for the delivery of the vessel, taking into account all industry variables (e.g. purchase of steel).

## Human Resource Issues

- 6.3 There are no HR issues associated with the contracting for this scheme.

## Contract Management

- 6.4 Please refer to Management Case.

## 7. The Financial Case

- 7.1 This section sets out the approach taken to assess the affordability of the Solent Gateways programme. The financial aspects of the three components will be managed under distinct regimes of cost control as described in the Management Case (Section 8).

### Programme Costs

- 7.2 An elemental cost plan for the components of the programme to receive Local Growth Deal funding has been prepared (Cost Model Rev B June 2015). This has been co-ordinated by cost consultants Aecom to present a consistent approach. Aecom prepared the cost estimates for Trafalgar Dock, on behalf of RPW. Parose Projects prepared the cost estimates for East Cowes. The cost estimate for the Floating Bridge has been prepared using information derived from the current operation, together with the recent experience of a member of the Project Board, Tim Light who is Managing Director of King Harry Ferry in Cornwall, the most recent Floating Bridge to be upgraded in the UK.
- 7.3 This Cost Model provides a cost estimate of:
- £7,599,200 for RPW Trafalgar Dock;
  - £3,819,900 for East Cowes Public Realm comprising:- Bridge Square, York Square, York Avenue, Castle Street;
  - £4,685,300 for East Cowes Floating Bridge.
- 7.4 Redevelopment of Royal Pier Waterfront and Trafalgar Dock: 5% per annum has been applied to the Trafalgar Dock elements in line with the development programme
- 7.5 Replacement and modernisation of Floating Bridge: Costs uplifted to Q2 2015 using Tender Price Indices, for consistency. Further construction cost inflation is included within contingency allowances.
- 7.6 East Cowes highways and public realm: Costs uplifted to Q2 2015 using Tender Price Indices, for consistency. Further construction cost inflation is included within contingency allowances.
- 7.7 It should be noted that the costs presented above exclude committed programme management costs, which are estimated at £243,740. This includes costs incurred in preparing the Business Case, including transport modelling and other preliminary costs.
- 7.8 A breakdown is provided in the figure below:

**Figure 7.1 – Committed programme management costs**

Expenditure (01/04/14 to 31/5/15)	Forecast (01/06/15 to 31/07/15)
<b>Southampton City Council = £138,000</b> <ul style="list-style-type: none"> <li>• £123,812, comprising: <ul style="list-style-type: none"> <li>- Parose Projects - general Business Case client support v_01</li> <li>- Systra - modelling costs V-01 (Whole project)</li> <li>- Parose Projects - general business case client support v_02 incl. new Floating Bridge Bus Case</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Naval Architects (IoW floating bridge) - £10,000</li> <li>• Parose Projects – East Cowes Town Centre Client-side Project Management - £11,760</li> <li>• Parose Projects Business Case v2 support - £8,960</li> </ul>

<ul style="list-style-type: none"> <li>£14,188 - Parose Projects - East Cowes client support</li> </ul> <p><b>Isle of Wight = £75,020</b></p> <ul style="list-style-type: none"> <li>Peter Brett - East Cowes transport modelling - £30,000 (IOW)</li> <li>BBLP - East Cowes outline design - £9,900 (IOW)</li> <li>Systra - Modelling costs for Floating Bridge Strategic &amp; Econ Cases - £30,120 (IOW)</li> <li>Naval Architects - £5,000 (IOW)</li> </ul>	
<b>Total: £213,020</b>	<b>Total: £30,720</b>
<b>Grand total: £243,740</b>	

Source: Southampton City Council

- 7.9 Total Project Costs that are included in business case to claim against LEP Grant: £243,740.
- 7.10 If this is deemed to be allowable expenditure, the partners would be able to draw down funding to meet these costs in the financial year 2015/16. In this event a commensurate adjustment will be made for the forecasted discretionary spend.
- 7.11 The Cost Model has been prepared from the following information and will need to be verified based upon further design development, market testing, etc.:
- Trafalgar Dock - Planning Submission and Stage 3 Documentation;
  - East Cowes Public Realm - Budget Estimates (with Purbeck Paving) October 2014 prepared by Balfour Beatty Living Places for: East Cowes Public Realm - Estimate (Concept) v10;
  - East Cowes Floating Bridge - FB Replacement cost summary V2 8.5.15;
- 7.12 Allowances for inflation, contingencies and optimism bias have been made.

## Programme funding

- 7.13 Figure 7.1 below sets out the source of funds for the full programme. This includes the projects which have been completed and are committed, those which are subject to the current rounds of Local Growth Deal funding.
- that have been delivered (e.g. East Cowes supermarket)
  - that are committed and for which funding has been awarded (e.g. East Cowes breakwater)
  - to be funded through Local Growth Deal
  - future phases for which funding has yet to be secured (potentially later phases of Royal Pier Waterfront)

Figure 7.2 – Funding mix

Proj Ref	Component	Funding status	Total cost (£m)	Local authority (£m)	Private sector (£m)	LGD (£m)	Other public (RGF / GPF / HCA, £m)	Unfunded (£m)
<b>1.0 REDEVELOPMENT OF ROYAL PIER WATERFRONT AND TRAFALGAR DOCK</b>								
1.01	Platform for Prosperity, Southampton	Delivered	<b>14,098,800</b>	1,445,000	1,750,000		10,903,800	
1.02	Refurbishment of Red Funnel cross-Solent ferries	Committed	<b>11,000,000</b>		11,000,000			
1.03	Enabling infrastructure for the relocation of Red Funnel's Southampton ferry terminal to Trafalgar Dock	Funding sought through LGD	<b>7,599,200</b>		99,200	7,500,000		
1.04	Re-provision of Red Funnel's Southampton ferry terminal at Trafalgar Dock (like-for-like replacement)	Investment by RPW	<b>16,880,400</b>		16,880,400			
1.05	Re-provision of Red Funnel ferry terminal at Trafalgar Dock (private sector investment to upgrade)	Investment by Red Funnel	<b>2,300,000</b>		2,300,000			
1.06	Delivery of new build housing, commercial floorspace, hotel and leisure facilities at Royal Pier Waterfront (including required strategic on-site infrastructure)	Investment by RPW	<b>480,000,000</b>		480,000,000			
<b>2.0 REPLACEMENT AND MODERNISATION OF FLOATING BRIDGE CONNECTING EAST COWES AND COWES</b>								
2.01	Replacement and modernisation of Floating Bridge	Funding sought through LGD	<b>4,685,300</b>	1,005,200		3,680,100		
<b>3.0 REGENERATION OF EAST COWES TOWN CENTRE AND WATERFRONT</b>								
3.01	Cowes Harbour Breakwater	Committed	<b>7,500,000</b>		7,500,000			



Proj Ref	Component	Funding status	Total cost (£m)	Local authority (£m)	Private sector (£m)	LGD (£m)	Other public (RGF / GPF / HCA, £m)	Unfunded (£m)
3.02	New Red Funnel terminal building and consolidation of two existing marshalling yards in East Cowes onto one site	Investment by Red Funnel	2,800,000		2,800,000			
3.03	Highways and public realm improvements to Bridge Square, York Square, Castle Street, York Avenue and Link Road in East Cowes	Funding sought through LGD	3,819,900			3,819,900		
3.04	Delivery of new build housing and commercial floorspace at Trinity Wharf and Trinity Yard	Investment by third party	7,300,000		7,300,000			
3.05	Delivery of new build housing and commercial floorspace at Phoenix Yard	Investment by third party	2,370,000		2,370,000			
<b>SUBTOTALS</b>				<b>2,450,200</b>	<b>531,999,600</b>	<b>15,000,000</b>	<b>10,903,800</b>	<b>-</b>
<b>TOTALS</b>				<b>560,353,600</b>				<b>560,353,600</b>

Source: BBP Regeneration

- 7.14 **RPW** - The detailed funding proposition is being developed to accommodate the substantial funding requirements and complexities of the scheme. It is known that the total funding requirement for the completion of the scheme and all of the enabling infrastructure is expected to be in the region of £450 million. The physical aspects of the site require the completion of the Infrastructure and development components via a series of consecutive phases with the consequential requirement for the underlying financing to be available for drawing over a 6 – 7 year period.
- 7.15 Total enabling infrastructure and associated costs, including the relocation of the Red Funnel Terminal in total forms a significant element of the total scheme costs. The enabling infrastructure has no long term future annuity cashflows associated with it and therefore represents a real cost to the scheme. Taking this into account combined with the requirements under the CLDA the Developer's financial advisors do not believe at this stage that it is a realistic assumption that senior secured debt finance will be available on arm's length commercial terms to finance the investment for the enabling infrastructure .
- 7.16 Consequently it is proposed that this element of the scheme will be financed via some form of equity. It is currently considered that the most effective method of this will be the establishment of a dedicated private equity fund (the **"Infrastructure Fund"**). Thereafter once the enabling infrastructure is completed and commercial development can commence it is expected that the Infrastructure Fund will either be
- a. refinanced, and potentially increased, via a similar fund to provide the required equity for development activities (the **"Development Fund"**); or
  - b. the Infrastructure Fund will be retained and tapped to provide the potential increase required to support commercial development.
- 7.17 During the development phase it is expected that this will be complemented with leverage being provided in the form of secured senior debt facilities provided either on a scheme wide basis or alternatively via a series of ring fenced debt financing for particular phases or blocks of the overall scheme.
- 7.18 The commercial returns for the scheme are constrained by two principal facets. Firstly the quantum of infrastructure investment required relative to the total size of commercial development that the scheme is capable of supporting. This is both in terms of the envelope of the scheme as well as the expected planning requirements and the development scale imposed via the CLDA. The second constraint involves the duration of the scheme's construction period. The requirement for large scale reclamation combined with the inability to commence significant development prior to completion of the reclamation platform coupled with the constricted nature of the platform dictates that the total completion period for the scheme is extended. The duration of the underlying funding provided from the equity and debt markets is therefore longer than would be normally expected for a similar type of scheme.
- 7.19 Against this background, the LEP funding provides a number of important and compelling advantages combined with a prospect of substantial multiplier benefits. The multipliers include the continued regeneration of Southampton, enhancement of the predominant transport link between Southampton and the Isle of Wight and the positive effect for jobs, tourism and economic activity within the surrounding hinterland of Hampshire and the South of England.
- 7.20 The benefits of LEP funding include:
- a. Investment in the provision of transport infrastructure for the Red Funnel Terminal
    - i. In view of the constricted nature of the RPW site, the various environmental issues that have to be taken into account and the CLDA requirements there is a need to relocate the Red Funnel Terminal in priority to any other enabling infrastructure activity, and significantly in advance of any commercial development;

- ii. The Developer is consequently considering the possibility of embarking on the relocation of the Red Funnel terminal prior to having received TWAO consent. This will reduce the overall duration of the RPW scheme and thereby enhance its viability and attractiveness to capital market investors;
  - iii. The Developers financial advisors have concluded that the prospect of raising debt or equity funding to commence the relocation of the Red Funnel Terminal prior to receipt of TWAO is extremely unlikely, or if possible the cost would be considerable;
  - iv. The Red Funnel Terminal is not directly integrated within the RPW scheme and the benefits of its move will be felt much wider than simply the RPW scheme, and in particular with the enhancement of transport links to the Isle of Wight. Investors in the RPW scheme will regard such investment within narrower investment boundaries than the underlying overall enhancement to Transport networks in the South of England.
- b. LEP financing will have a material positive effect on the ability to raise the required funding for the main RPW scheme in the following ways:
- i. It demonstrates a strong support and commitment from the public sector for the success of the overall scheme;
  - ii. It will enable the scheme's start date to be brought forward and thereby enable the duration of the investment required to be brought more in-line with market standards and thereby encourage investment from the private sector.

7.21 The will provide a small but important reduction in the total cost of enabling infrastructure, which as stated previously represents, in relative terms, a significant proportion of the total costs of the scheme.

7.22 LEP funding provides an excellent demonstration from the public sector of provide explicitly and identifiable financial support for activities which will have broad ranging social and economic benefits that extent well beyond the scheme's boundaries. This coupled with the underlying support for the scheme will provide confidence and comfort to the private investment market substantial in excess of the actual funding provided.

7.23 The profile for the LGF drawdown is presented in Figure 7.3 below:

Figure 7.3 - Indicative LGD drawdown

Proj Ref	Component	Funding status	Total cost (£m)	Delivered	2015/16	2016/17	2017/18	2018/19	2019/20	Post-2019/20	Total spend (£m)
1.0	REDEVELOPMENT OF ROYAL PIER WATERFRONT AND TRAFALGAR DOCK										
1.03	Enabling infrastructure for the relocation of Red Funnel's Southampton ferry terminal to Trafalgar Dock	Funding sought through LGD	7,599,200		468,900	4,164,360	2,866,740				7,500,000
2.0	REPLACEMENT AND MODERNISATION OF FLOATING BRIDGE CONNECTING EAST COWES AND COWES										
2.01	Replacement and modernisation of Floating Bridge	Funding sought through LGD	4,685,300		1,231,000	2,449,100					3,680,100
3.02	Highways and public realm improvements to Bridge Square, York Square, Castle Street, York Avenue and Link Road in East Cowes	Funding sought through LGD	3,819,900		362,200	2,648,219	809,481				3,819,900
			16,104,400	-	2,062,100	9,261,679	3,676,221	-	-	-	15,000,000

Source: BBP Regeneration

## State Aid

- 7.24 The Solent Gateways partners have obtained Counsel's opinion on whether the funding from the Solent LEP will constitute State Aid and if so, on what basis State Aid compliance can most easily be achieved.
- 7.25 In summary, in respect of the relocation of the Red Funnel ferry terminal, the costs of relocating Red Funnel to Trafalgar Dock (on a "like for like" basis) are being met by RPW, and do not involve State aid. Likewise, no State aid arises in relation to the additional costs of providing improved terminal facilities, which are to be funded by Red Funnel itself. In addition to those costs, however, it is proposed that the LEP will fund various public works in and around the new terminal. Counsel's view is that most of this work is likely to be regarded as "general" rather than "user-specific", on the basis that it will benefit parties other than Red Funnel. Consequently, it should not constitute State aid. One item does seem to be specific to the Red Funnel terminal. Insofar as this is aid, it is a sufficiently small amount to be covered by the de minimis block exemption.
- 7.26 The public realm work in East Cowes is also likely to be regarded as general rather than user-specific, and therefore likewise should not constitute State aid.
- 7.27 The floating bridge is operated on a commercial basis and the funding of its replacement meets most of the conditions for a measure to be regarded as State aid. However Counsel considers there is a good case that this measure will have no effect on inter-State trade, and should therefore fall outside Article 107(1) TFEU on that basis. If there is State aid, it could in principle be covered by Article 56 of the General Block Exemption Regulation ("GBER").

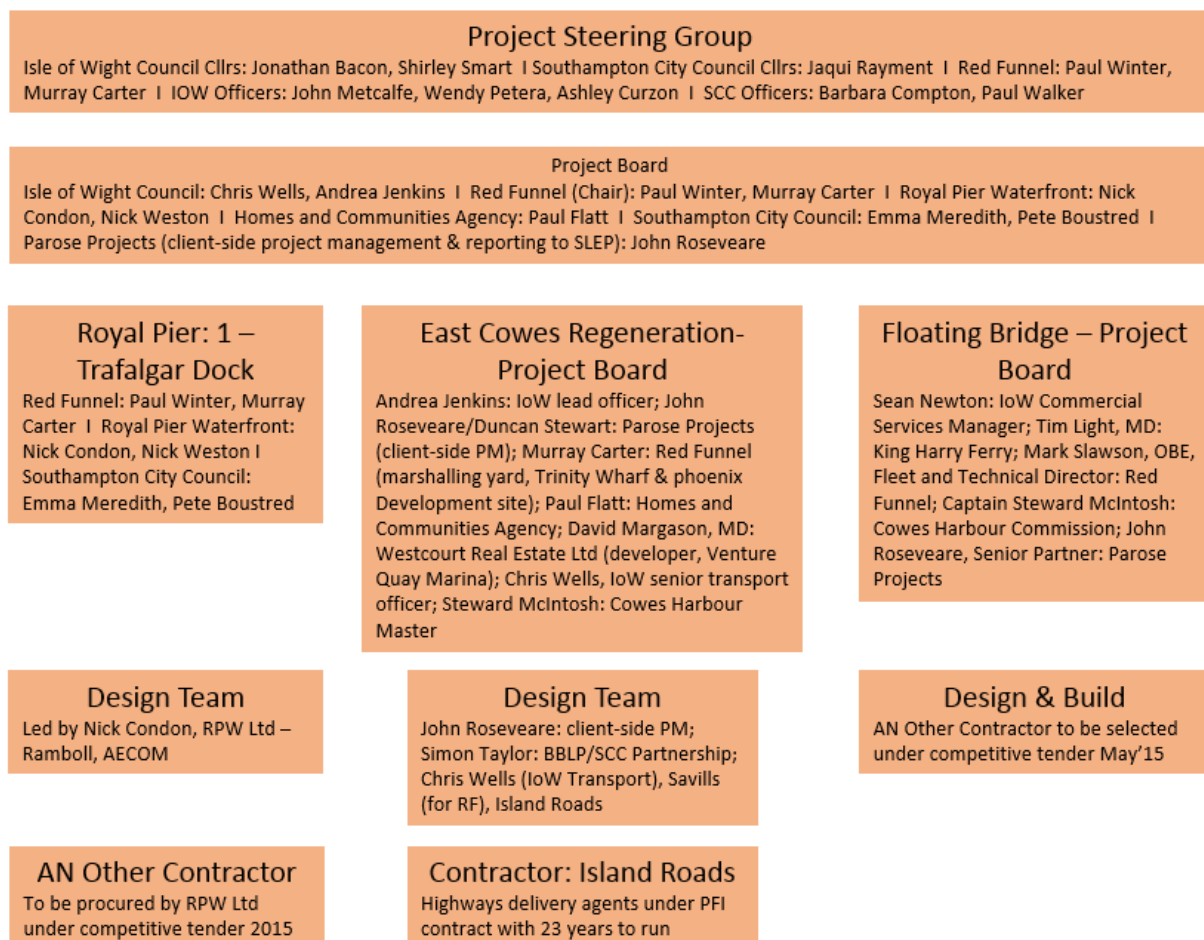
## 8. The Management Case

- 8.1 The Management Case considers whether the Preferred Option is capable of being delivered successfully, in accordance with recognised best practice and that there are appropriate processes in place to support effective delivery and evaluation.
- 8.2 The programme sponsors are Southampton City Council, Isle of Wight Council, and Royal Pier Waterfront (Southampton) Limited in association with Red Funnel Ferries Ltd. Southampton City Council and Isle of Wight Council have signed a letter confirming their commitment to joint working for the LEP business case.

### Governance, Organisational Structure & Roles

- 8.3 The governance structure for the overall programme is illustrated in Figure 8.1. The Board meets on a monthly basis, receiving a pre-meeting report highlighting the key decisions required at a high level. Separate Project Teams, comprising a mix of client, design consultants and engineers, together with local authority officers, are responsible for progressing the project components. The arrangements for each are described below:

**Figure 8.1- Governance structure for the Solent Gateways Programme (June 2015)**



## Coastal Concordat

- 8.4 The Royal Pier Waterfront, Floating Bridge and Town Centre regeneration proposals include both terrestrial and marine elements which require a number of permissions, consents and licences to be obtained from statutory bodies. A national 'Coastal Concordat for England' has been developed between Defra, DCLG, Department for Transport, the MMO and the Local Government Association (LGA) to simplify and better coordinate the regulatory regimes in the coastal zone (November 2013).
- 8.5 An initial eight coastal local authorities have formally adopted the Concordat and others have agreed to informally apply its key principles to a range of coastal development projects. An Agreement under the Coastal Concordat to apply the generic principles of the concordat to this development has been signed by Southampton City Council as Local Planning Authority, the MMO as marine licensing authority and the Applicant, RPW (Southampton) Limited. It sets out the general principles for the handling of the various applications required and timescales.

## Communications and Stakeholder Management

- 8.6 The principal stakeholder management is through:
- A Quarterly Steering Group
  - The monthly Project Board (see above at Figure 8.1)
  - The Champions Group (meets as required)
- 8.7 A detailed Communications Plan (available on request) is held by the Senior Communications officer for the SCC Council, lead body for the project, working in close conjunction with the Isle of Wight, Red Funnel and Royal Pier Waterfront communications teams.

## Programme/Project Reporting

- **Project Board:** Monthly – high level key issues only
- **PM Connect:** Monthly
- **PUSH:** As required
- **Design Team:** Monthly

## Key Issues for Implementation

- 8.8 All implementation issues are dealt with through the Risk Register that has been prepared.



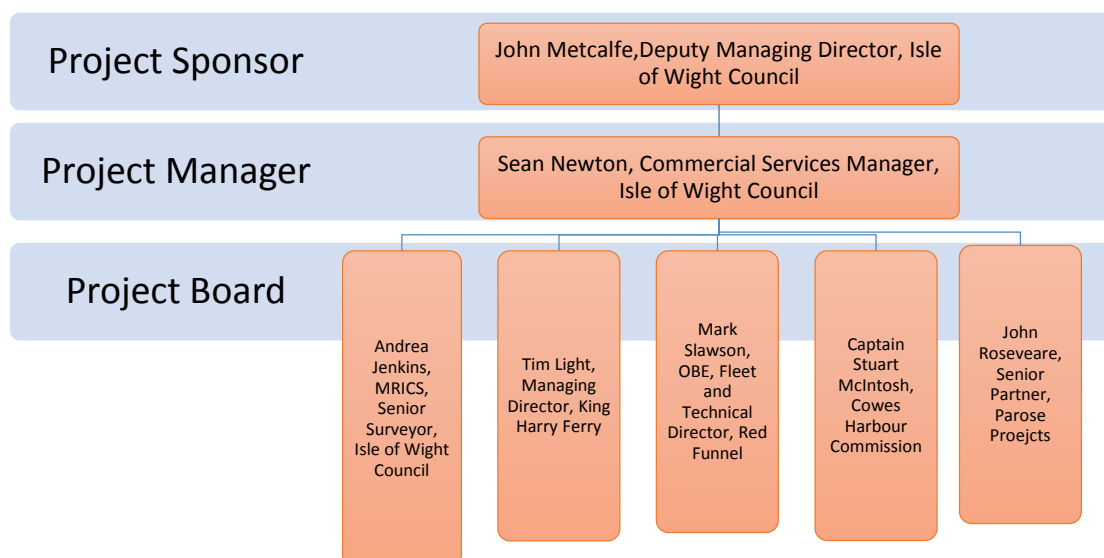
**Figure 8.2 - Programme Components' Governance, Organisational Structure & Roles**

Royal Pier Waterfront and Trafalgar Dock	East Cowes	Floating Bridge
Governance, Organisational Structure & Roles		
The scheme sponsors are Royal Pier Waterfront (Southampton) Ltd.	<p>The scheme sponsors are Isle of Wight Council.</p> <p>The governance structure for the project is illustrated below in Figure 8.3 below.</p> <p>The East Cowes Regeneration Board will be led by IoW Council, the new Board will meet on a monthly basis, receiving a pre-meeting report highlighting the key decisions required at a high level.</p> <p>Separate Design Teams, comprising a mix of client, design consultants and engineers, together with local authority officers, are responsible for progressing the project components through to completion of Detailed Design.</p>	<p>The scheme sponsors are Isle of Wight Council.</p> <p>The governance structure for the project is set out below at Figure 8.4. The Board meets on a monthly basis, receiving a pre-meeting report highlighting the key decisions required at a high level.</p>

**Figure 8.3- East Cowes Regeneration scheme – governance structure**



Figure 8.4 - Floating Bridge governance structure



## Evidence of Similar Projects

Royal Pier Waterfront and Trafalgar Dock	East Cowes	Floating Bridge
<b>Evidence of Similar Projects</b>		
<p>The <b>Lucent Group</b> specialises in strategic land assembly in high growth areas throughout the UK. The Lucent corporate structure has been specifically designed to minimise risk in order to attract the investment needed to provide a robust and reliable solution to the housing structure, while maximising investor returns. Lucent has developed an investment partnership (IP) model to provide funding to local authorities which will enable them to masterplan and deliver viable redevelopment schemes for large strategic sites. In addition to capital investment, Lucent also provides the planning and delivery expertise to bring large-scale land investment and the critical infrastructure schemes through the planning process, while the local authority provides the land assets. <b>Current projects include:</b></p> <p><i>Allerdale Investment Partnership:</i> In February 2014, Lucent agreed a joint venture with Allerdale Borough Council to create a joint venture partnership covers some 15 sites over 156 acres with a gross development value of c.£200 million. The partnership will deliver up to 600 new homes,</p>	<p>The Isle of Wight Council has experience of developing a number of major infrastructure schemes as well as supporting other build schemes on the Island:</p> <p><i>Local Sustainable Transport Fund (LSTF):</i> the council successfully delivered a £3.95m sustainable transport programme to reduce reliance on the car and increase the numbers travelling by public transport, foot and cycle with funding from the government through the first LSTF round.</p> <p><i>Ventnor Haven (harbour)</i> was built at a cost of £2.2M and was funded with a SEEDA grant (about £1.2M), coast protection Grant Aid (about £300k), and IWC (the rest) capital funding. It was built to improve the efficiency of fishing and shell-fishing on the south of the IoW. A substantial light industrial unit, associated offices and bar/café facilities were then constructed on IWC land adjacent by Cheetah Marine, a major boat builder/employer in Ventnor, which provided employment in the marine industry close to the town's best slipway and launching facilities.</p>	<p>As there are only 7 Floating Bridges in the UK, each being replaced on average every 20-30 years, previous experience is not common.</p> <p>Sean Newton is the Commercial Services Manager for the Isle of Wight and the appointed Project Manager, first point of contact and Senior Responsible Officer for the Island on the Floating Bridge replacement.</p> <p>Sean has extensive experience managing local authority projects and procurement processes. Most recently he was responsible for the delivery of a £6.8m project to refurbish the Councils three main leisure facilities ensuring that the opportunities to remodel the facilities in order to maximise future revenue were incorporated. The refurbished facilities meet the leisure, health and well-being needs of the Island's community; in addition the works introduced aspects of sustainable building management.</p> <p>IoW Council are retaining the services of Tim Light, Managing Director of the King Harry Ferry, the company responsible for letting the most recent Floating</p>

<p>as well as mixed used development.</p> <p><i>The Peterborough Investment Partnership (PIP)</i> ; was agreed in 2014 as a joint venture between Peterborough City Council and the Lucent Group. PIP will help support the sustained growth and development of local communities across Peterborough by creating new jobs, retail, housing and leisure facilities. Funds generated will be reinvested back into the community.</p> <p><i>The Lincolnshire Lakes project</i> ; is one of the largest development investment opportunities in the country. Forecast to provide 6,000 new homes overall – 3,000 of which will be delivered under Lucent – the scheme will accelerate regeneration and inward investment opportunities in the area. Lucent estimates that the scheme will create 4,000 jobs.</p>	<p><i>Isle of Wight Council Highways PFI Contract</i>: IOW are in year 3 of the 25 year contract, which encompasses highway upgrading, highway maintenance, horticulture, CCTV operation, and a range of other highway related services. Total Value of £800m in cash terms (DfT Grant - £260m Net Present Value, equivalent to £487m in cash terms).</p> <p><i>Pan Meadows residential development, Newport</i>: Previously a green field site owned by IWC and sold to Barratt Homes as a community project, with 256 affordable homes (all delivered), 592 private homes (83 delivered), and a Biomass plant completed just before Christmas 2014.</p> <p><i>Leisure Facility Improvement Plan</i>: to ensure that the Council's directly managed leisure facilities are fit for purpose for the next 25 years. Three sports facilities fully refurbished/extended. The value of the project was £6.8m and was completed in September 2013.</p> <p><i>Rural Broadband project</i>: the project will complete the main delivery phases in the project intervention area by September 2015 to enable approximately 97% of homes and businesses across the county to receive SFBB speeds. The funding envelope includes £2,490,000 of BDUK investment and BT investment of £1,565,118.</p> <p><b>Island Roads</b>, the principle contractor, is a special purpose vehicle established by Vinci Concessions, Meridiam Investments and Ringway. Vinci Concessions are one of the largest construction companies in the world. Ringway are a large contracting company in the UK, providing services to a wide range of local authorities and private sector clients. They have extensive experience of completing public realm works.</p> <p><b>Red Funnel</b>, have been operating and refurbishing their fleet on this route for over 150 years.</p>	<p>Bridge replacement contract in the UK. Tim sits on the Project Board (see above). Tim purchased, with a small syndicate, the King Harry Floating Bridge and set about the funding case, design and build of a replacement bridge for the service. The company prepared a bid to gain EU funds through the Objective One Programme and were successful. Profits were increased from £100k to £280 in 5 years allowing them to set about the design and build with wide stakeholder interaction and a really innovative design process that was in principle aimed at reducing annual downtime and making the crossing a visitor attraction in its own right as well as part of a sub-regional destination marketing hub. The project was delivered on time and with a 3% overage primarily due to fluctuations in material costs and the inclusion of some shore side civils.</p>
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## Programme/Project Dependencies

8.9 A number of interdependencies and linkages have been identified between the programme's project components:

- Redevelopment of Royal Pier Waterfront and Trafalgar Dock:
  - a. Any significant development in the Royal Pier area would require the relocation of Red Funnel's operations, including re-provision of parking.
  - b. Red Funnel has confirmed that their business plan for upgrading the terminal in Southampton depends upon continuity of service throughout the works, as well as mirroring upgrades on the other side of the Solent, to ensure a consistent customer experience.
  - c. The redevelopment of the Royal Pier area provides critical enabling development to fund costly land reclamation from the River Test, which in turn ensures no loss of open space at Mayflower Park, as required by planning policy.
  - d. The value for money of this investment is enhanced by achieving a transformational critical mass of development, to create a new waterfront retail and leisure destination.
- Replacement and modernisation of the Floating Bridge connecting East Cowes and Cowes:
  - a. The Floating Bridge is one of only two vehicular access/egress points for East Cowes, and its replacement and modernisation therefore underpins the ability to secure economic benefits from recent and future investment across the town.
- Regeneration of East Cowes town centre and waterfront:
  - a. The highways and public realm improvements in East Cowes are dependent upon the consolidation of Red Funnel's marshalling yards onto one site.
  - b. This, in turn, is dependent upon rationalisation of land ownerships in East Cowes, which also enables the delivery of a comprehensive waterfront development scheme spanning Trinity Wharf and Trinity Yard.
  - c. Red Funnel has confirmed that their business plan for upgrading the terminal in East Cowes depends upon continuity of service throughout the works, as well as mirroring upgrades on the other side of the Solent, to ensure a consistent customer experience.
  - d. The value for money of this investment is enhanced by delivering it as part of a comprehensive package – the plans on both sides of the Solent tackle constraints on growth, which will build capacity for increased economic activity on the Isle of Wight.

8.10 The summary Gantt chart overleaf shows Solent Gateways' programme for delivery.

**Figure 8.5 – Solent Gateways' programme**

# Solent Gateways Projects



ID	Task Mod	Task Name	Duration	Start	Finish	14	2015		2016		2017		2018		2019		2020		2021		2022		2023		2024	
						H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
1		Solent Gateways Projects	2635 days	Mon 01/09/14	Fri 04/10/24																					
2		Royal Pier Waterfront	2521 days	Fri 06/02/15	Fri 04/10/24																					
3		Planning Engagement and Consultation	89 days	Tue 31/03/15	Fri 31/07/15																					
47																										
48		Planning Applications	420 days	Mon 02/03/15	Fri 07/10/16																					
77																										
78		Trafalgar Docks and Red Funnel Design & Procurement	696 days	Fri 06/02/15	Fri 06/10/17																					
79		Terminal building, Access roads, Hardstandings & Drainage	696 days	Fri 06/02/15	Fri 06/10/17																					
98		Decked Car Park	220 days	Mon 10/10/16	Fri 11/08/17																					
111		Marine Civil Engineering	260 days	Mon 10/10/16	Fri 06/10/17																					
130		Linkspans and pontoons	190 days	Mon 10/10/16	Fri 30/06/17																					
143																										
144		RPW Construction Main Development Site (Assuming TWAO enquiry)	1825 days	Mon 09/10/17	Fri 04/10/24																					
145		Phase 1 - Mayflower car park and public park	490 days	Mon 09/10/17	Fri 23/08/19																					
150		Phase 2 - WQ B&C Casino and Offices	650 days	Mon 26/08/19	Fri 18/02/22																					
153		Phase 3 - Royal Pier Car Park and TQ Car Park	525 days	Mon 09/10/17	Fri 11/10/19																					
158		Phase 4 - Hotel/ Casino/ Leisure Area	520 days	Mon 14/10/19	Fri 08/10/21																					
166		Phase 5 - Town Quay Flats/ Offices	520 days	Mon 12/10/20	Fri 07/10/22																					
171		Phase 6 - Office/ Flats/ Retail	520 days	Mon 11/10/21	Fri 06/10/23																					
176		Phase 7 - Office/ Flats/ Retail	520 days	Mon 10/10/22	Fri 04/10/24																					
182		Phase 8 - Kuti's & Plaza	260 days	Mon 09/10/23	Fri 04/10/24																					
185																										
186		East Cowes Town Centre Public Realm	710 days	Mon 01/09/14	Fri 19/05/17																					
187		Design	465 days	Mon 01/09/14	Fri 10/06/16																					
198		Procurement	285 days	Mon 01/06/15	Fri 01/07/16																					
213		Construction	240 days	Mon 20/06/16	Fri 19/05/17																					
222																										
223		Floating Bridge	490 days	Mon 02/03/15	Fri 13/01/17																					
224		Procurement	240 days	Mon 02/03/15	Fri 29/01/16																					
253		Mobilisation & Services (Ship Builder)	50 days	Mon 25/01/16	Fri 01/04/16																					
258		Construction and fit-out (Ship Builder)	180 days	Mon 04/04/16	Fri 09/12/16																					
266		Testing and Commissioning	25 days	Mon 12/12/16	Fri 13/01/17																					
269																										
270		Red Funnel East Cowes Works	1170 days	Mon 04/07/16	Fri 25/12/20																					

Project: 15-05-26 - Southampton Date: Mon 15/06/15	Task		Project Summary		Inactive Milestone		Manual Summary Rollup		Deadline	
	Split		External Tasks		Inactive Summary		Manual Summary		Progress	
	Milestone		External Milestone		Manual Task		Start-only			
	Summary		Inactive Task		Duration-only		Finish-only			

## Consents

### Coastal Concordat

- 8.11 The Royal Pier Waterfront, Floating Bridge and East Cowes regeneration proposals include both terrestrial and marine elements which require a number of permissions, consents and licences to be obtained from statutory bodies. A national 'Coastal Concordat for England' has been developed between Defra, DCLG, Department for Transport, the MMO and the Local Government Association (LGA) to simplify and better coordinate the regulatory regimes in the coastal zone (November 2013). An initial eight coastal local authorities have formally adopted the Concordat and others have agreed to informally apply its key principles to a range of coastal development projects. An Agreement under the Coastal Concordat to apply the generic principles of the concordat to this development has been signed by Southampton City Council as Local Planning Authority, the MMO as marine licensing authority and the Applicant, RPW (Southampton) Limited. It sets out the general principles for the handling of the various applications required and timescales.
- 8.12 Consents required for the three programme components are set out in the table below.

Royal Pier Waterfront and Trafalgar Dock	East Cowes	Floating Bridge
<b>Consents</b>		
<p>Work is underway to achieve all the required statutory consents (see also land owner consents). The programme in Figure 8.5 provides detail on the timelines for each of these:</p> <ol style="list-style-type: none"> <li>1. Planning Permission</li> <li>2. Red Funnel Relocation Agreement</li> <li>3. Transport and Works Act Order (Department for Transport)</li> <li>4. Harbour Works Consent (Department for Transport or MMO) (this may form a part of the TWAO)</li> <li>5. Harbour Works Licence (the Harbour Authority, ie ABP)</li> <li>6. Flood Defence Consent (Environment Agency)</li> <li>7. Discharge consent (Environment Agency).</li> </ol>	<p><i>East Cowes public realm and highways works</i> – no consents required other than traffic orders</p> <p><i>Red Funnel works:</i> Work is well underway to achieve all the required statutory consents (see also land owner consents).</p> <ol style="list-style-type: none"> <li>1. Appointing Team Jan 2015</li> <li>2. Initial PR / Community Engagement Team Meeting Jan 2015</li> <li>3. Initial registration of project with the MMO Jan 2015</li> <li>4. Ongoing Council meetings – Kickstart PPA and agree MMO timelines Feb 2015</li> <li>5. Inputting to Medina Valley AAP Feb – Dec 2015 (likely adoption 2016)</li> <li>6. HCA Purchase Due Diligence Jan – Feb 2015</li> <li>7. HCA Purchase Process to Completion Jan – Mar 2015</li> <li>8. Community / Stakeholder Workshop and Champions Group 24 March 2015</li> <li>9. Development Partner Discussions Ongoing through 2015</li> <li>10. Third Party Private Ownership Purchases April – Sep 2015</li> <li>11. Technical Assessments Jan – May 2015</li> <li>12. Masterplanning Jan – June 2015</li> <li>13. EIA Parameter Plans Fixed April 2015 1</li> </ol>	<p>No consents required</p>

	14. Public Consultation End April 2015 15. Detailed Architecture Mar – June 2015 16. EIA Scoping to IoWC & MMO Feb – Mar 2015 17. EIA Preparation Mar – June 2015 18. Planning Application Preparation Feb – July 2015 19. Pre-Submission Exhibition Consultation June 2015 20. Submission of Hybrid Application (Detail for Red Funnel) to IoWC & MMO July 2015 21. IoWC Resolution 1 Dec 2015 (19 Jan 2016) 22. Section 106 Negotiations Sep – Jan 2016 23. Determination Jan 2016 24. MMO Licence Jan 2016 25. Judicial Review Period Six weeks from determination date – Feb / Mar 2016 26. Discharge of Planning Conditions for Red Funnel Site 2016 - 2017 27. Stopping Up Orders / TROs 2016 28. Demolition / Site Clearance / Remediation 2017	
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## Project Management

- 8.13 Each project sponsor operates project management systems along the following lines:
- 8.14 There are four key pause-points:
- **Scoping** – before feasibility, an outline business case sets out the provenance, need, aims and links to strategies. Identifies risks, funding potential and desired outcomes.
  - **Design** – at end of feasibility, full business case updates the previous, focussing on the deliverables and outputs. Sets baseline budget and programme.
  - **Implementation** – before procurement, appraisal to review and refresh business case, and seek relevant procurement approvals.
  - **Review** – at end of project, measure of success, covering; process, key dates, finance, and outcomes.
- 8.15 Each authority has developed a, set of standards to support delivery of its own capital and revenue programmes.
- 8.16 Standard documentation includes:
- **Brief and Plan** – Project brief from the client. Project Plan from the project manager. Initial estimate and programme.
  - **Change Control** – Agreed changes in scope, cost or duration are logged and signed off by client and project manager. Baselines adjusted.
  - **Risk Management** – Commensurate to the size and/or importance of the project, a risk log is maintained and, where appropriate, costed.



- **Monitoring** – Regular communication and monthly progress updates. Spend and delivery monitoring against agreed milestones.
- **Approvals** – Reports to Chief Officers and/or Executive Member

## Contract Management

8.17 Separate contract management arrangements will operate for the three distinct elements of the scheme, using resource profiles set out below.

- **Project Director:** Strategic management and resource coordination; Overview of Project Lifecycle
- **Project/Design Management:** Delivery and quality auditing; Cost control and spend profiling; Resource planning CDMC
- **Design Engineers:** Design Production: Cost production
- **Safety Audit:** Stage 1,2,3 Safety Audits
- **Construction Manager:** Co-ordinating construction team, QS and construction cost management

## Post-Implementation Maintenance

8.18 The public access elements of the scheme will be adopted by the relevant highway authorities onto the highways asset register.

## Communications and Stakeholder Management

Royal Pier Waterfront and Trafalgar Dock	East Cowes	Floating Bridge
Communications and Stakeholder Management		
Local interest groups were engaged at the masterplanning stage. In July 2014 design workshop with local groups were held on priorities and public exhibitions were made to provide an introduction to the project A further public exhibition was held on 8th December 2014, to show detail of Red Funnel proposals prior to submission of planning application and principles of main development. Further consultation events are planned in July 2015.	<p>A series of early briefing meetings have been held with Members and interest groups. A stakeholder design session was held on 25<sup>th</sup> November. A Champions Group has been established from this group which includes:</p> <ul style="list-style-type: none"> <li>• East Cowes Town Council</li> <li>• East Cowes Business Association</li> <li>• Whippingham Parish Council</li> <li>• Cowes Harbour Commission</li> <li>• The Mayor, Cowes Town Council</li> <li>• East Cowes Heritage Society</li> <li>• GKN</li> <li>• Osborne House</li> <li>• Police</li> <li>• Local schools</li> <li>• Visit Isle of Wight Ltd</li> <li>• Southern Vectis</li> <li>• Southern Water</li> <li>• East Cowes Sailing Club</li> </ul>	<p>Isle of Wight Council carried out detailed surveys relating to the future provision of the Floating Bridge in October/November 2014, both through face-to-face interviews and on-line.</p> <p>Communications are managed through the Councils Communications Team based in Newport.</p>

	<p>A public exhibition was held in November/December 2014 at East Cowes Town Hall, East Cowes Heritage Centre and Waitrose.</p> <p>Several consultation events have been held, including most recently for a technical audience in March 2015, and for the public in May 2015.</p>	
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## Risks and Risk Management

- 8.19 The process of identifying, assessing, responding to, monitoring, controlling and reporting risks is summarised in this section. It outlines how risk management activities will be performed, recorded and monitored throughout the lifecycle of the project and sets out proposed risk management structure, within the existing governance illustrated above.
- 8.20 For the purposes of this business case a high level risk assessment has been undertaken informed through a workshop of the partner organisations held on 3rd June 2015. Risks have been categorised as:
- Acquisition//site assembly risks
  - Partnership risks
  - Planning and other approvals risks
  - Programme risks (including technical, cost and timeline risks)
  - Demand risks (including value, returns and benefits risks)
  - Other risks
- 8.21 Under each category specific risks and their impact have been identified. Mitigating actions have also been noted. The likelihood of events occurring and their impact have both been scored on a scale of 0 to 3, where 0 = no risk/impact, 1 = low risk/impact, 2 = medium risk/impact and 3 – high risk/impact. The product is the total assessed risk which is scored out of a total of 9. A traffic light code has been used where 0 to 3 is green (low). 4 to 6 is orange (medium) and 7 to 9 is red (high). A Risk Register has been prepared. This approach has assessed:
- Acquisition//site assembly risks as low
  - Partnership risks as low
  - Planning and other approvals risks as low with the risks associated with negotiations with Historic England assessed as medium
  - Programme risks (including technical, cost and timeline risks) as low, but again with the risks associated with Historic England negotiations assessed as medium
  - Demand risks – including value, returns and benefits risks as low with the risks of delays to benefit realisation assessed as medium
  - Other risks have been assessed as low, although the risks that the LEP is unable to confirm funding beyond year1 have been highlighted as medium and will require careful management to maintain the integrity of the programme. The issue about ordering the floating bridge without confirmation of future years funding has been flagged.
- 8.22 For the purposes of programme implementation it is proposed that a risk register is maintained created in accordance with WebTAG 3.5.9 guidance.

- 8.23 Risk identification will be the responsibility of the entire project team, including appropriate stakeholders. Project managers overseeing delivery of named projects will be responsible for identifying impact and interdependencies, paying careful attention to environmental factors and organisational culture, as well as scope, schedule, cost and quality factors.
- 8.24 All risks will be logged onto a project register. Key risks will be allocated an owner. The risk owner will be responsible for assessing, in more detail, the range of possible outcomes, defining the level of risk, contingency planning, monitoring, controlling and updating the status of the risk throughout the lifecycle of the project. Key risks will be reported up to the Project Board. New or updated risks across the range of projects being delivered will be discussed and challenged by the delivery boards before reporting issues and exceptions to the Project Board. Risks closure will be considered by the project manager when the event has passed, is no longer valid or considered a risk. These will remain on the log and associated costs will either be transferred to the project, or removed.
- 8.25 Beneath this overarching Risk Register, a separate cost risk register is held by the contractors where appropriate.

## Monitoring and evaluation

- 8.26 Project monitoring will be undertaken by the various partners to meet their own requirements, with methodologies approved by Solent LEP for each funding agreement in order to assess the performance of the programme against its SMART objectives.
- 8.27 The plan will need to reflect the Solent LEP's wider approach towards monitoring the delivery of its Strategic Economic Plan, as well as satisfying the requirements of the LEP Assurance Framework. As appropriate a monitoring and evaluation plan will be prepared in accordance with Department for Transport published guidance.
- 8.28 A Benefits Realisation Strategy and Plan will be developed, linked to the Monitoring and Evaluation of the programme (see below). We recognise that the underlying principles of the evaluation should be proportionality, partnership and prioritisation (targeting key evidence gaps). Existing data sources including Local Transport monitoring data and national datasets such as the National Travel Survey and Census 2011 data will be used where possible to establish the baseline against which the scheme will be evaluated.
- 8.29 In considering both the benefits realisation and the monitoring and evaluation of the programme, we will look to link in with DfT's overarching evaluation framework. As such, the Benefits and Realisation Strategy is a working document that will be developed as the overarching framework for monitoring emerges and following discussions with those responsible for neighbouring bids and complementary work.
- 8.30 The principal means of monitoring and evaluation will be through:
- 1) The Isle of Wight Tourism Trends Quarterly Bulletin which uses face-to-face interviews carried out amongst a sample of 4,700 passengers on board the 6 ferry routes to the Island. The monitor covers:
    - Volume of passengers and breakdown by type (domestic/overseas, day/short stay etc)
    - Group purpose
    - Length of stay
    - Type of accommodation used
    - New versus repeat visitors
    - Visits to island attractions
    - Mode of transport
    - volume and value of tourism
  - 2) Floating Bridge performance data including :

- Punctuality statistics
- Total passenger numbers and modal split
- Customer satisfaction ratings
- Customer complaints

3) Jobs data:

A method for agreeing job creation has been agreed with the DfT for SCC's Platform for Prosperity Scheme. This will be used for each of the Solent Gateways Scheme elements. The annual employment rate will also be used where appropriate.

4) Transport related via:

- Smart Card data:
- Travel Attitudes surveys
- Average Daily Vehicle Movements (Annually)
- Road Transport CO2 Emissions
- Levels of congestion