

To: Secretary of State
Norman Baker MP

From: [Name of official redacted]

Date: 19 March 2012

Bexhill Hastings Link Road

Issue

1. Our updated assessment of the Link Road in the light of additional information provided by the promoter.

Recommendation

2. That you note:
 - i) the updated "five case" assessment at Annex A
 - ii) the updated evidence review document at Annex B
 - iii) the need for a decision today if you wish to inform this week's Budget announcement. The updated information does not materially affect the options we presented to you in my 14 March submission.

Timing

3. Urgent, to inform potential Budget announcement.

Consideration

4. My submission of 14 March noted that we were awaiting responses from the promoter (East Sussex County Council) to a number of clarification questions which should help us refine our assessment of the core benefits of the scheme and provide greater confidence in the modelling approach. It also noted that we were reviewing new information on the economic impacts of the scheme including material presented to you by the promoter last week.
5. We have now reviewed the additional material submitted by the promoter and our conclusion is that this does not materially change our view of the value for money of the scheme or the level of uncertainty associated with the analysis. Our review of the economic case is that the scheme is likely to offer either **low or medium value for money**. The risk of the scheme offering poor value for money is low unless you assume the worst case on landscape impacts (in which case this is a significant risk). The VfM conclusion for this scheme depends on the weight attached to the landscape impacts and the value of the regeneration benefits from the development in North East Bexhill unlocked by the scheme – evidence on the valuation of both these impacts are subject to a high level of uncertainty hence the range reflected in the VfM conclusion. Evidence on these impacts (and other aspects of the assessment) are reported in annex A (the updated five case assessment) and annex B.
6. We have also reviewed the material the promoter provided which appeared to indicate that the scheme would unlock £1 billion in additional GVA. Our view is that this work significantly overstates the benefits of the scheme as it makes optimistic assumptions including the number of jobs dependent on the scheme, the extent to which economic activity will relocate from elsewhere and local wage rates. This estimate also potentially double counts productivity improvements

already included in the transport assessment. Our assessment of this work is reported on pages 19 and 20 of annex B. We think the number of additional jobs may be in the order of a third of the levels claimed by the promoter (i.e. around 1,000).

7. We have also held on 15 March a bi-lateral discussion with the Hastings Alliance, who oppose the scheme. They set out their concerns about the environmental impact of the scheme, their views on its economic benefits and their assessment of a potential road based alternative (set out in paras 20 to 24 of my 14 March submission). The discussion revealed some information which enhances our evidence review (and this is reflected in the document at Annex B) but did not materially change it.

[Name of official redacted]