

SURREY COUNTY COUNCIL

CABINET

DATE: 21 OCTOBER 2014

REPORT OF: MR PETER MARTIN, DEPUTY LEADER

**MR JOHN FUREY, CABINET MEMBER FOR TRANSPORT,
HIGHWAYS AND FLOODING RECOVERY**

**LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR, ENVIRONMENT AND
INFRASTRUCTURE**

**SUBJECT: SUPPORTING ECONOMIC GROWTH – IMPLEMENTING THE
LOCAL GROWTH DEALS**



SUMMARY OF ISSUE:

This report seeks agreement to how the Council proposes to:

- Take forward the second tranche of schemes for which funding has been agreed by the Enterprise M3 (EM3) and Coast to Capital (C2C) Local Enterprise Partnerships (LEPs) for 2015/16;
- Bid for currently unallocated funds held by the LEPs for 2015/16 to support sustainable transport and resilience projects;
- Prioritise new projects for funding through the LEPs from 2016/17.

The Council worked closely with both LEPs over the last 18 months to develop their Strategic Economic Plans (SEPs). The recently announced Local Growth Deals set out some initial allocations of Government funding to implement the SEPs (including confirmation of some funding that had already been allocated through the Local Transport Bodies).

The Growth Deals secured over £50 million of investment for Surrey and there is now an opportunity to increase this amount through direct bids to the LEPs for sustainable transport and resilience funding.

A local funding contribution has to be made towards the cost of transport schemes. The Council has been discussing with district and boroughs specific local funding arrangements for 2015/16 schemes and the development of some principles to guide the approach for the future. Draft principles have been agreed between Surrey Chief Executives (CEX) and this paper sets them out for agreement by Cabinet.

There will also be further annual rounds of funding. For 2016/17 Government has been clear that there is limited additional funding available but the process and timescales are currently unclear. This report sets out the Surrey projects that are currently being considered covering skills capital, transport and other infrastructure such as flood defences.

The bidding round for 2017/18 is however likely to be considerably larger in scope

and the intention is to undertake significant work during 2015 with boroughs and districts and other organisations in Surrey to develop some longer term, major interventions that can be brought forward.

RECOMMENDATIONS:

The Cabinet is asked to agree:

1. The principles and approach for determining local contributions for transport schemes. A further report to Cabinet in December 2014 will seek agreement to the County Council match funding contribution to the second tranche of 2015/16 schemes.
2. The proposed approach to prioritising schemes. If agreed, this will be applied to the sustainable transport and resilience schemes for 2015/16.
3. That approval of the prioritised list of sustainable transport and resilience schemes for submission to the LEPs is delegated to the Strategic Director for Environment and Infrastructure, in consultation with the Leader, the Deputy Leader and the Cabinet Member for Transport, Highways and Flooding Recovery.
4. That further schemes should be prioritised for funding for 2016/17. Identification of these schemes is delegated to the Strategic Director for Environment and Infrastructure in consultation with the Leader, the Deputy Leader and the Cabinet Member for Transport, Highways and Flooding Recovery.

REASON FOR RECOMMENDATIONS:

The LEPs' Strategic Economic Plans, submitted to Government in March 2014, were developed with considerable input from the County Council and identified priority schemes for Surrey. Almost all of the schemes put forward for funding for 2015/16 were successful, including all of the transport projects.

Councils are required to provide a local contribution to the schemes to reflect the local benefits that will be secured. A critical part of the business case submission to secure funding will be identifying the source and amount of such local contributions. Hence the need for agreed principles and a firm agreement with the relevant borough or district on their financial contribution (Recommendation 1). The second tranche of schemes for 2015/16 requiring a contribution from the County Council will come forward in a report to Cabinet in December.

Whilst large schemes were identified in the Growth Deals for specific funding, smaller schemes will be supported through pots of additional funding. The Council needs to make bids into these pots reflecting priority schemes. The approach set out in this report will be the basis for such prioritisation (Recommendation 2). Given the deadlines for submission of proposals to the LEPs and the level of detailed work still to be completed within these timescales, the report proposes that the application of these principles is delegated to the Strategic Director for Environment and Infrastructure, in discussion with the relevant portfolio holders (Recommendation 3).

Government have also set a very tight timetable for any bids for further funding for 2016/17. The report identifies the schemes being considered for Surrey and proposes that the final decision on which ones to put forward is also delegated to the

Strategic Director, in consultation with the relevant portfolio holders (Recommendation 4).

DETAILS:

1. In February 2013, the Cabinet agreed the importance of promoting economic growth in Surrey and identified a number of mechanisms to support that aim. Enterprise M3 and Coast to Capital Local Enterprise Partnerships (LEPs) were identified as a key route to achieving this aim and in February 2014, Cabinet agreed an approach to working with both LEPs on the development of their Strategic Economic Plans, specifically the priority Surrey projects to be included in their bids to Government.
2. In July 2014, the Government announced Local Growth Deals for each of the 39 LEP areas across England. The Growth Deals set out the level of funding from the Local Growth Fund (LGF) that will be invested in each area in 2015/16 (along with follow on funding for the next few years given that some projects will take several years to complete) as well as for some projects that have been identified as provisional investment priorities for future years.
3. Across the two LEP areas, almost £50 million will be spent on specific projects within Surrey starting in 2015/16. Almost all of the Surrey specific schemes proposed in the Strategic Economic Plans for 2015/16 were successful, and all the transport projects put forward by the County Council have secured LGF. Additional funding will be secured through direct bids to the two LEPs for LEP wide funding pots, such as sustainable transport funding, and through subsequent annual bids to Government.

Timescales and Process

4. This report addresses two processes that are running in parallel:
 - **Ensuring funding for schemes for 2015/16.** The LEPs require detailed business cases for each individual project, which will then be subject to assurance and due diligence processes. The business cases for a first tranche of schemes have already been submitted to the LEPs, with tranche two business cases due for completion by the end of January 2015. Local contributions for these schemes and a prioritised list of smaller schemes are the major requirements now for the County Council.
 - **Bids for schemes for 2016/17.** The Government has said that there may be a further bidding round for 2016/17 projects. The Government has suggested that bids be submitted by the end of November 2014 with a decision on funding by January 2015, but these timescales are subject to change and could be altered significantly. The County Council needs to have detailed proposals for such schemes to submit to the LEPs and is working towards the end of November deadline. Should an opportunity for further submissions for 2016/17 arise the prioritised list of schemes will be presented for decision by Cabinet to submit Business Cases.

2015/16 Schemes: Local Contributions

5. Each LEP requires that match funding, a “local contribution”, is identified for each scheme when the final business case is submitted. For Enterprise M3 this

is 25% of the scheme costs and for Coast to Capital it varies from 25% for sustainable transport schemes; 20% for transport major schemes; 15% for maintenance or flood alleviation schemes (resilience schemes). Most of the schemes currently being considered are less than £5 million.

6. In September 2014, Cabinet agreed to provide the County Council's element of the local contribution for the first tranche of 2015/16 schemes from the Economic Regeneration Capital budget. This covered transport projects that required a detailed business case by the end of October 2014.
7. Discussions are ongoing with the Districts and Boroughs that have schemes in tranches 1 and 2 to confirm their commitment to the scheme and to identify the local contribution. During these discussions it became clear that it would be helpful to develop a framework of criteria to guide how the local contribution is shared between the District or Borough and the county council for future submissions i.e. for 2015/16 tranche 2 schemes and 2016/17 onwards.
8. The following principles have been discussed and agreed at the Surrey Chief Executives group and are proposed as the basis for a joint framework:
 - Where a scheme will unlock a significant development opportunity, the prime beneficiary will be the Borough or District that will realise greater economic and financial benefits from the development. A good example of this is the Victoria Arch scheme in Woking. For this type of scheme, it is recommended that the Borough or District should make a significant contribution to the funding to reflect the benefits they will realise.
 - Where a scheme will not lead as directly to development, but will provide wider network benefits, such as reduced congestion or an increase in sustainable transport, then it is proposed that the Borough or District contribution is lower than it might be were significant development released, as the county council as highway authority is the prime beneficiary.
 - For resilience schemes, it is proposed that the county council provides the full local contribution, as these schemes would otherwise have to be funded from our capital maintenance budget.
 - The whole life maintenance costs of schemes will be provided by the county council, as highway maintenance is funded by the Department for Transport through the Maintenance Block Grant.
9. These principles will be applied to the second tranche of schemes for 2015/16 and proposed arrangements for the local contribution from the County Council will be set out in a report to Cabinet in December.

2015/16 Schemes: Prioritisation

10. As part of the 2015/16 allocation, both LEPs secured pots of funding for sustainable transport, with Coast to Capital securing additional funding for resilience schemes. The total amounts available for 2015/16 are £4.3m for Enterprise M3 and £9.2m for Coast to Capital (£5.5m for resilience and £3.7m for sustainable transport). There is a competitive process for bidding for these funds.

11. Given the significant number of possible schemes (set out in the Annexes A and B) the County Council and boroughs and districts need to prioritise them. It is proposed that the following criteria are applied to the prioritisation process:
- Strategic and local fit – identifying how the project fits with the relevant Strategic Economic Plan and Local Plan;
 - Scale of benefits – the project must demonstrate considerable economic benefit, as well as wider benefits such as transport benefits including safety and reducing congestion, social and environmental;
 - Deliverability – can the project be delivered within the relevant timescales, including planning permissions, etc;
 - Funding – the availability of local contribution from the County Council and relevant district or borough authority.
12. The scale of the bids made by Surrey will reflect both prioritisation and the amount of funding available. Given that a significant amount of further work is required but also that the bids have to be submitted by the end of November, it is proposed that approval of the final prioritised sustainable transport and resilience schemes is delegated to the Strategic Director for Environment and Infrastructure, in consultation with the Leader, Deputy Leader and Cabinet Member for Transport, Highways and Flooding Recovery.

2016/17: Local Growth Deal Projects

13. The 2016/17 round is likely to be very limited in terms of the availability of additional funding. A considerable amount of the 2016/17 Local Growth Fund has already been committed including for schemes that have been given provisional funding approval of which there are several in Surrey and the 'tail' of 2015 schemes (i.e. the future year requirements of schemes given the go ahead to start in 2015/16).
14. The steer from Government is to focus on developing stronger business cases for the projects and schemes that were not successful in the initial bid or priority schemes that were included in the Strategic Economic Plan. The usual expectations about strong value for money, deliverability within agreed timescales and clear local commitment remain.
15. The current understanding of the timescale for LEPs to submit their 2016/17 bids to Government is that bids would be submitted by the end of November 2014 with an announcement on the successful schemes in January 2015. Both LEPs are currently setting up the appropriate governance arrangements to approve schemes. Submission of bids at the end of November would mean that it is likely that completed project templates will be required by the LEPs by late October 2014. . Should an opportunity for further submissions for 2016/17 arise the prioritised list of schemes will be presented for Cabinet decision to submit Business Cases.
16. A list of possible Surrey schemes for 2016/17 is attached at Annex B. These fall broadly into four categories:

- Provisionally funded schemes, such as the multi-modal transport hub in Woking and the Guildford Gyratory. These schemes require a detailed business case before funding will be confirmed;
- Re-submission of unsuccessful 2015/16 schemes, for example funding for resilience schemes in Enterprise M3. The Government has identified that these projects need much clearer information on value for money and cost benefit analysis. Work is underway with the relevant boroughs and others to assess whether they should be pushed again for 2016/17
- New schemes, such as the University Technical College for Surrey and the Lower Thames Flood Defence Scheme which are major priorities for the area and which had not previously sought support via the Growth Fund
- High priority smaller schemes.

Future Years

17. Both LEPs are currently starting to plan for future bidding rounds, the process for which is likely to start in January 2015. The focus for 2017/18 onwards will be on inspirational, radical projects that will transform the economy of the area, such as a large scale event space for Surrey. The County Council will work with both LEPs to ensure that ambitious Surrey priorities are reflected.

Joint working with Districts and Boroughs

18. The County Council has been working closely with many of the boroughs and districts to promote developments in their area (such as major town centre schemes in Woking) and to develop governance structures to guide action (such as the Public Service Board in Guildford). The development of the Local Growth Fund submissions has been a catalyst for further increasing joint working between boroughs and districts and with the county council in terms of:
- Developing a programme approach to new transport projects
 - Making the case for strategic investment in Surrey, particularly in terms of major strategic transport corridors such as the A3 and the North Downs Line
 - Co-ordinated joint working in particular places to develop packages of measures which can be supported through the SEP and Growth Fund covering transport, commercial land and town centres
19. Further work on all of these approaches is now planned with Surrey Future and will be taken forward with Chief Executives and Surrey Leaders.

<u>CONSULTATION:</u>

20. The directors of both the Enterprise M3 and Coast to Capital LEPs have been consulted on the proposed approach, which has also been discussed with Surrey borough and district council chief executives.

RISK MANAGEMENT AND IMPLICATIONS:

21. The Government has been clear that the Local Growth Fund will be the only source of new investment in transport and other infrastructure and the main source of investment in economic development more generally. The County Council can only secure investment through the LEPs rather than directly from Government. Accordingly, the quality of the business cases and project templates submitted to the LEPs is crucial for future investment in Surrey to support economic growth. The council has been putting considerable effort and resource into helping both of the LEPs of which Surrey is a member to develop the best case for additional investment, including through close working with districts and boroughs.
22. The schemes require significant resources to develop, design and implement. The actual amount of resource required will depend on how many transport schemes the County Council wishes to propose and implement.

Financial and Value for Money Implications

23. The prioritised list of proposed transport schemes will deliver significant benefits to Surrey, and, depending on the type of scheme, 75% or more of their cost will be provided by the LEP. The schemes are being subject to full Business Case evaluation and if approved by the council and the LEP will represent good value for money for Surrey residents.
24. The details of costs for the 2015/16 tranche two schemes will be shared in a December 2014 Cabinet report.

Section 151 Officer Commentary

25. The Section 151 Officer confirms that this report sets out how schemes will be prioritised and the principles used to determine local contributions. Further consideration to the long-term strategy for funding the second tranche of schemes, and any future schemes, including the consideration of the revenue costs associated with preparation, is required and will be reported to Cabinet in December. The long-term financial implications will additionally be considered as part of the Medium Term Financial Planning process. This review should incorporate the likelihood of enhanced contributions from District & Borough councils from the utilisation of new funding streams available to them, in particular in relation to the Community Infrastructure Levy (CIL).

Legal Implications – Monitoring Officer

26. The report sets out the process by which relevant schemes for inclusion in the bids for 2015/16 funding will be prioritised, and the principles for determining how local contributions to future schemes can be shared with Boroughs and Districts. The rationale behind these is clear and takes account of relevant matters. The final decision regarding the identification of relevant schemes is an executive function and can therefore be properly delegated to the Strategic Director by the Cabinet.

Equalities and Diversity

27. There are no identified negative equalities impacts. Where additional funding for infrastructure and transport schemes is secured, there will be positive impacts though increasing access to services and employment opportunities. Growth in businesses based in Surrey will in some cases generate additional jobs. Focusing skills and training support on young residents will also help positively address Surrey's relatively high level of youth unemployment. Where applicable, equality impact assessments will be undertaken as a part of decisions on individual projects.

Corporate Parenting/Looked After Children implications

28. The County Council recognises it has a responsibility to young people in the county who might struggle to make a successful transition from education to employment, in particular our Looked After Children and young people leaving care. The current economic downturn has reduced the number and variety of jobs that are available in Surrey, with further disproportionate impact on the most disadvantaged groups. Care Leavers aged 16-18 years are over five times more likely to be NEET (not in employment, education or training) than their peers who have not been in care. Being a 'Corporate Parent' is not just a role for social care services but is everyone's responsibility. For this reason, the county council wants to ensure that a percentage of any work experience, apprenticeships or employment opportunities are targeted at this, and other priority groups.
29. The proposal for a University Technical College is closely linked to the Skills for the Future strand of the Public Sector Transformation Network programme. The proposal will raise employability skills and promote employment opportunities for all young people in Surrey. The Surrey Employment and Skills Board has strongly endorsed the Skills for the Future approach and is playing a key role in developing the linkages with the LEPs.

Implications for vulnerable adults

30. Adults with social care support needs are significantly underrepresented in the workplace. Fewer than 10% of adults with learning disabilities are in paid employment and the majority of those who are employed work part time. The current economic climate has made finding suitable employment opportunities to help people back to work more challenging than ever.
31. Providing effective support for vulnerable adults into employment and reducing inequalities and discriminatory practice is a key priority for the county council. The council uses its purchasing power and community influence to promote employment opportunities, so that people can access these routes back to full social inclusion.

Public Health implications

32. Developing sustainable transport solutions across the county will improve well being and support fitter, more active, more socially linked and more resilient communities. This approach needs to be coupled with maintaining the attractiveness and quality of Surrey's outstanding natural landscape and environment (which has an economic value in its own right) to encourage more

use of these intrinsic assets, to promote health and well being, and reduce the incidence of both long term and chronic illness.

Climate change/carbon emissions implications

33. A key objective of many of the proposed transport schemes, in particular the Sustainable Transport Packages, is to reduce carbon emissions through a combination of reduced vehicle delays, improvements to public transport and encouraging alternative modes of transport to motorised vehicles.

WHAT HAPPENS NEXT:

34. A further Cabinet paper will be presented in December 2014 setting out the Surrey County Council level of local match for the tranche two 2015/16 transport schemes. This will apply the match funding principles outlined in this paper and will be agreed with the relevant district or borough authority.
35. A prioritisation exercise for sustainable transport and resilience projects will be completed in discussion with the relevant district and borough authorities. The final list of projects for submission to the LEPs will be agreed with the Leader, Deputy Leader and Cabinet Member for Transport, Highways and Flooding Recovery.
36. If there is a further funding opportunity for 2016/17 the prioritised schemes will be presented to the Cabinet for decision to submit Business Cases.

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Consulted:

Leader of Surrey County Council
Surrey Chief Executives
Strategic Director Environment and Infrastructure
CLT Growth Deal Steering Group
Head of Policy and Performance
Assistant Director for Environment and Infrastructure

Sources/background papers:

- Surrey County Council, 'Confident in our Future' Corporate Strategy 2014-19
- Enterprise M3 'Strategic Economic Plan', March 2014
- Coast to Capital 'Strategic Economic Plan', March 2014
- The Surrey Local Economic Assessment, December 2010
- Surrey Connects Strategy, August 2011
- Surrey Connects action plan, summer 2012
- Surrey Superfast Broadband Project Plan, August 2011
- Wave 2 City Deals Prospectus, Autumn 2012
- Cabinet report on Supporting the Economy, 24 February 2013
- Cabinet Report on Supporting the Economy, 25 February 2014
- Cabinet Report on Supporting Economic Growth through Investment in Transport Infrastructure, 21 September 2014
- Heseltine Review 'No Stone Unturned', October 2012

Transport Schemes for 2015/16

Tranche 2 Schemes

Name of scheme	Description	Location	LEP
Victoria Arch	The Victoria Arch scheme addresses the most serious pinch point in the centre of Woking on the main arterial route between Guildford and Woking.	Woking	EM3
A30/A331 Meadows Roundabout, Camberley	Improvements to the road network in Camberley through redesigning the Meadows Gyrotory, bus priority measures and pedestrian and cycle crossings and off-carriageway routes.	Surrey Heath	EM3
Wider Network Package	This programme would improve traffic management systems in Surrey.	Epsom and Ewell, Reigate and Banstead, Tandridge and Mole Valley	C2C

Sustainable Transport schemes – Long list for prioritisation

Name of scheme	Description	Location	LEP
Greater Redhill Sustainable Transport Package	A package of improvements in the areas of Redhill, Reigate, Woodhatch, and Banstead. It will deliver sustainable/ public transport measures to improve accessibility and improve safety, with goals to reduce congestion, encourage modal shift, increase accessibility to economic centres and reduce road accidents.	Reigate and Banstead	C2C
Blackwater Valley Better Connectivity	The proposal aims to address the low levels of public transport, walking and cycling in the area, by better connecting local train stations and town centres with improved walking and cycling infrastructure.	Surrey Heath, Hampshire, Thames Valley	EM3

Resilience Schemes – Long list for prioritisation*

Schemes include specific projects along key corridors, including the A22, A23, A240, A24 and A217.

*N.B. Funding only available in C2C area

List of Potential 2016/17 Surrey Schemes

Provisional Schemes: Funding secure subject to business case

Name of scheme	Description	Location	LEP
Guildford Gyratory Approaches	Additional funding to improve access to and through Guildford Town Centre, addressing congestion and supporting new developments such as North Street	Guildford	EM3
Guildford Sustainable Transport Package	A package of enhanced public transport, walking and cycling infrastructure to support access to major employment sites in Guildford	Guildford	EM3
Multi-modal Interchange at Woking station	The development of a multi-modal interchange and approach improvements to Woking Station, including the Rail-Air coach, pedestrian, cycle and taxi facilities	Woking	EM3

Unsuccessful 2015/16 schemes: To be resubmitted with additional information

Name of scheme	Description	Location	LEP
Resilience Package	Funding package for resilience and maintenance across the Enterprise M3 area, including transport projects in Surrey and Hampshire.	LEP Wide	EM3
Enterprise and Innovation Centres	Development of existing and new centres into an enterprise and innovation network, to promote the availability of high quality business space in our area and to provide collaborative resources for the SMEs occupiers.	LEP wide	EM3
Cromwell Road	The scheme seeks to address one of the most vital regeneration opportunities in Redhill town centre and bring forward a comprehensive mixed use redevelopment in the Cromwell Road area. It aims to unlock the delivery of new retail floorspace within the town centre to meet identified needs as well as new homes.	Reigate and Banstead	C2C
Epsom Creative Hub	The Creative Business Quarter would offer creative industries incubation and business support and promote the creation, survival and growth of young businesses in the creative digital and the design industries related to fashion, graphics and new media, other young companies with scalable product innovations and businesses working from home.	Epsom	C2C

New large schemes:

Name of scheme	Description	Location	LEP
University Technical College	Local Growth Fund investment would transform the ability of the UTC adding a skills centre and innovation hub to the core UTC. The skills centre and innovation hub will build on the strong partnership between employers, universities, further education and schools to offer skills development and apprenticeship pathways for young people and re-skilling and up-skilling for adults.	Guildford	EM3
Lower Thames Flood Defence Scheme	The River Thames Scheme will reduce flood risk in communities including Egham, Staines, Chertsey and Shepperton. The project will initially focus on reducing flood risk in the weirs.	Spelthorne Elmbridge Runnymede	EM3

Smaller schemes: submitted as part of the SEP

- Blackwater Valley Strategic Area Partnership
- Brooklands Business Park Transport Improvements
- Esher Congestion improvements
- Walton Rail Station Accessibility improvements
- Staines to Walton-upon-Thames Corridor
- Wider Staines-upon-Thames Sustainable Transport Package
- Camberley Business Centre Access improvements
- Camberley Sustainable Transport Package
- Camberley Town Centre highway improvements
- Camberley Town Centre Public Realm Improvements
- Frimley Transport Network improvements
- M3 approach scheme
- A31 Hickley's Corner Junction improvements
- Farnham Town Centre package
- Woking Sustainable Transport Package
- Banstead-Epsom & Ewell Sustainable Transport Package
- Dorking Transport Package Sustainable Transport Package
- A24 Strategic Maintenance package
- Reigate & Banstead Strategic improvement and Maintenance scheme
- A22 strategic maintenance