

**SURREY COUNTY COUNCIL****CABINET****DATE: 18 OCTOBER 2016****REPORT OF: MR PETER MARTIN, DEPUTY LEADER****MR JOHN FUREY, CABINET MEMBER FOR HIGHWAYS,  
TRANSPORT AND FLOODING****LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR, ENVIRONMENT &  
INFRASTRUCTURE****SUBJECT: INVESTMENT IN TRANSPORT AND HIGHWAYS  
INFRASTRUCTURE - ADDITIONAL SCHEMES IN THE THIRD  
TRANCHE OF THE LOCAL GROWTH FUND****SUMMARY OF ISSUE:**

In their Strategic Economic Plans (SEPs), the two Local Enterprise Partnerships (LEPs) covering Surrey, Enterprise M3 (EM3) and Coast to Capital (C2C), have set out their proposals for supporting economic development in their areas. Surrey County Council has worked with them to develop these plans which include improvements to transport infrastructure to provide economic benefits. Funding for the schemes included in the SEP comes from the Local Growth Fund (LGF), government funding through the LEPs. The arrangements require a local contribution to be made to the cost for these schemes and for this to be identified when business cases are submitted.

On 23 September 2014, the Cabinet approved arrangements for local contribution for the first tranche of three schemes of the 2015-16 SEP programme. On 14 December 2014 approval was given for local contribution for the second tranche of seven schemes of the same programme and, on 15 December 2015 the Cabinet approved further local contribution for the third tranche of four schemes of the same 2015-16 SEP programme.

Approval is now sought for the development and submission of business cases for a further four schemes; namely Wider Staines STP (phase 1), A30 London Road Camberley, Greater Leatherhead STP and A24 Epsom town centre Resilience, to be added to the third tranche of the 2016/17 SEP programme. The total estimated cost for these four schemes is £16.533m with a potential LGF contribution from the LEPs of £12.570m.

Approval is sought for a County Council contribution of approximately £1.789m for these schemes to be match funded from the existing Surrey County Council Local Growth Deal and Project Horizon capital budgets.

Partner and S106 developer committed contributions are currently £2.174m which could increase as discussions are still in progress with partners.

The business cases for these four schemes are planned to be submitted during the autumn /winter of 2016/17. Detailed design could commence on some of these

schemes during Q4 of 2016/17.

The Council has been in discussions with the relevant borough councils to secure their share of the local contribution. It is a requirement that the County Council confirms that the specified local contribution is available when it submits the business cases.

#### **RECOMMENDATIONS:**

It is recommended that the Cabinet agrees to delegate authority to the Strategic Director for Environment and Infrastructure, in consultation with the Deputy Leader, Cabinet Member for Highways, Transport and Flooding and the Director of Finance, to agree the schemes for business case submission and the precise amount of the Surrey County Council contribution based on the draft proposals as set out in Table 2 in this report, including an SCC local contribution of £1.789m.

#### **REASON FOR RECOMMENDATIONS:**

Transport infrastructure schemes are a key element of the Strategic Economic Plan (SEPs), submitted by the Local Enterprise Partnerships (LEPs) to Government in March 2014, which sets out how they will support the economic development and regeneration of their areas. The proposed schemes will deliver a range of benefits to Surrey's residents including reduced congestion; improved journey time reliability; enhanced safety and improved access for cyclists, pedestrians and buses, as well as enabling economic development and regeneration.

Under the funding arrangements, delivery bodies are required to provide a local contribution for the schemes, to reflect the local benefits that will be provided. Therefore, for these schemes to proceed to business case submission, Cabinet approval is needed to confirm that this local contribution is available.

The precise amount of contribution that the County Council will need to make, will be finalised once discussions with relevant Borough Leaders/ Chief Executives have been completed, in accordance with the approach presented to the Cabinet at the meeting of 23 September 2014.

Presently, funding has been secured from Heathrow Airport Ltd, Surrey Heath Borough Council and S106/PIC/CIL contributions. Further funding opportunities may arise in the near future, especially through developer contributions such as S106/CIL funding.

#### **DETAILS:**

##### **Introduction**

1. In July 2014, the Government announced Local Growth Fund (LGF) allocation for transport infrastructure to Local Enterprise Partnerships (LEPs), for the 2015 – 2021 periods, based on their respective SEPs. Allocation for 2015-16 was specifically detailed with committed funding for a selection of prioritised schemes. The County Council was successful in receiving committed funding for several schemes from both the LEPs, subject to submission of satisfactory business cases.

2. Schemes for the 2015-16 programmes were organised into two tranches to correspond with the submission dates of September/ October 2014 and January 2015. Three schemes were submitted as part of the first tranche with a further eight schemes submitted as part of the second tranche.

### The Third Tranche for business case submissions

3. On 15 December 2015, the Cabinet approved funding for four projects as indicated in Table 1 below.

**Table 1: Schemes already featured in the Third Tranche with updated comment**

Scheme	Comment
Guildford Transport Package	Business case approved and project commenced
Epsom- Banstead STP	Business case submission planned autumn 2016
A23 Strategic Maintenance	Business case submitted but further evidence required by LEP.
A217 Strategic Maintenance	Business case approved and project commenced

4. A further four schemes are now proposed as part of the third tranche. As previously, they have been selected as a result of a prioritisation exercise which assessed each scheme across a number of criteria including economic benefits and borough/ partner contributions.
5. Submission of business cases can be made to EM3 LEP in January and/or September; and to C2C LEP in spring and/or autumn. Business cases for these four schemes are intended to be submitted during autumn and winter 2016/17.
6. Estimated scheme costs and current position regards local contributions are set out in Table 2 below.

**Table 2: Proposed additional schemes for the Third Tranche projects**

Scheme	Scheme cost	LGF/ LEP ask	Partner Contribution	S106/ CIL contribution	SCC direct contribution
Wider Staines STP (phase 1) (EM3 LEP)	£4.950m	£3.713m	£0.609m <b>(WS1)</b>	£0.263m	£0.365m <b>(WS2)</b>
A30 London Road Camberley (EM3 LEP)	£5.000m	£3.750m	£0.770m <b>(Cam 1)</b>	£0m	£0.480m
Greater Leatherhead STP (C2C LEP)	£4.880m	£3.660m <b>(GL1)</b>	£0.500m <b>(GL2)</b>	£0.032m <b>(GL3)</b>	£0.688m
A24 Epsom town centre Resilience (C2C LEP)	£1.703m	£1.447m	£0m	£0m	£0.256m <b>(Eps1)</b>
<b>Total</b>	<b>£16.533m</b>	<b>£12.570m</b>	<b>£1.879m</b>	<b>£0.295m</b>	<b>£1.789m</b>

- WS1 - contribution from Heathrow Airport Ltd (£0.549m) and from London Buses (£0.060m).

- WS2 - developer contribution of up to £0.452m expected within 12 months, in which case SCC funding can be reallocated to other LGF schemes.
  - Cam 1 - contribution from Surrey Heath Borough Council.
  - GL1 - C2C LEP have not confirmed the percentage of local contribution required. Assumed current rate of 25%.
  - GL2 - Mole Valley District Council contribution subject to their formal approval.
  - GL3 - Local contribution from PIC funding of £0.032m has been included as secured funding. S106 contribution (£0.136m) not yet secured but could be within six months.
  - Eps1 - contribution of £0.256m from Project Horizon 2017/18.
7. Based on the above scenario and qualifying notes, the current full cost to SCC regards local contributions is £1.789m, of which £0.256m is from Project Horizon and the remainder (£1.533m) from the SCC Local Growth Deal budget. If the business cases are accepted this could attract Government investment of £12.6m.
8. On 15 December 2015, the Cabinet approved £1.2m of SCC contribution for Epsom-Banstead STP . A Business case for this project is planned to be submitted to the C2C LEP during the autumn of 2016. Following negotiations with Epsom & Ewell Borough Council and Reigate & Banstead Borough Council, together with available S106 funding, the SCC local contribution has been reduced to zero. This means that the £1.2m previously set aside for the Epsom-Banstead STP is now available to fund other schemes, in this tranche.

<b><u>CONSULTATION:</u></b>
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9. The proposed schemes have been developed in consultation with Borough and District partners and have been noted to the LEPs and the neighbouring Local Transport Authorities through the SEP process as indicated previously.
10. Officers from relevant Boroughs and Districts have been kept informed and engaged in the preparation of the business cases for the schemes through participation on the governance boards for schemes/ scheme clusters.
11. Design proposals for schemes have been/ are being presented to Local Committees for scrutiny and approval of the preferred solutions.
12. All the expressions of interest that were input into the Strategic Economic Plans submitted to Government are already publicly available on both the LEP websites. Where schemes are submitted as business cases these will also be published on the LEP websites.
13. All business cases are subject to up to 12 week public consultation period run by the LEPs, the results of which will be used by the LEPs as part of their independent assurance process. These results could influence the detailed design development process of the schemes.

14. All necessary consultation processes have been carried out to date, either by the County Council or Borough Councils involved. The feedback has been fed into the development of the schemes up to the point they are to be submitted to the LEPs as business cases.
15. This includes all required and necessary consultation with statutory agencies, such as the Highways Agency, Network Rail and the Environment Agency etc as well as with statutory undertakers (utility operators) as appropriate to each scheme.
16. In addition to the above, a public consultation and exhibition was carried out for the Wider Staines STP (phase 1) during the spring of 2016; public consultations and exhibitions are planned for the A30 London Road Camberley and Greater Leatherhead STP in the autumn/winter of 2016/17.
17. The Cabinet should note that the A24 Epsom Town Centre project forms part of the routine maintenance programme and, as such, is not subject to any consultation.
18. The Cabinet should also note that any further statutory consultation will happen once the detailed scheme designs are ready.

Reference to these projects can be found on the Surrey County Council Major Transport schemes web site: <http://www.surreycc.gov.uk/roads-and-transport/roads-and-transport-policies-plans-and-consultations/major-transport-projects>

#### **RISK MANAGEMENT AND IMPLICATIONS:**

19. The scheme costs set out in this report are estimates that were reviewed in 2016, based on outline scheme designs. Whilst they include a contingency sum and optimism bias there is a risk that these costs could increase once the designs are finalised and procurement processes run. If costs increase, such that the local contribution required would exceed the amount stated in this report, then the following mitigation strategies would apply:
  - Further value engineering exercises would be undertaken as the design is developed to see if scheme costs could be brought down without reducing the scope of the scheme.
  - If scheme costs cannot be reduced then the scope of the scheme would be reviewed to see if the primary benefits could still be realised but with a reduced scheme.
  - If it is not possible to reduce the scheme cost in either of these ways, then we would engage with the LEPs and the relevant borough/district to see if they are able to increase their contribution.
  - If, after following the steps above, the scheme would still require a greater contribution from Surrey, then a further decision on this would be sought from the Cabinet or Cabinet Member, as appropriate.
20. If SCC does not submit these business cases the Council may not be able to attract government investment in infrastructure through the Local Growth Deal. There is a risk that if we do not financially support these schemes and deliver them well SCC may lose the opportunity to access LEP funding for later potential schemes. LEPs are urging Councils and other delivery bodies to ensure that they utilise the LGF funding available in each year as any unused funds could be

clawed back. However, investment in these schemes does mean that there is minimal Council funding remaining for future schemes/ tranches.

#### **Financial and Value for Money Implications**

21. The proposed schemes are expected to cost £16.533m as set out in table 2, of which SCC's contribution is currently expected to be £1.789m. This will be met from the existing SCC Local Growth Deal and Project Horizon capital budgets.
22. The proposed transport schemes will deliver significant benefits to Surrey and, depending on the type of scheme, 75% or more of their estimated capital cost will be provided by LEP. Therefore, the required local contribution represents good value for money for Surrey residents.
23. Local contributions for most schemes are being met by partner contributions, S106 developer contributions and/or other sources as indicated in Table 2. However, the details presented in Table 2 reflect the position as at the writing of this report. Expectations are that additional contributions could become available from borough partners as the schemes are being prepared.
24. In order to optimise value for money robust procurement will be undertaken for each of the schemes and approval to award the contracts will be sought as required under the Council's constitution.

#### **Section 151 Officer Commentary**

25. The Section 151 Officer highlights that estimated scheme costs are currently under review and in some cases are based on outline scheme designs and therefore would be expected to change as designs evolve and as schemes are procured. In recognition of this estimated costs include appropriate risk allowances. As grant funding is likely to be fixed, subject to the mitigation strategy outlined in this report, an increase in scheme costs could result in an increase in the local contribution required. The Council would also need to meet any future maintenance costs for these schemes.
26. The Council's expected contribution will be funded from the existing capital budget, including Project Horizon. Depending upon final costs and the profile of spend, capital budgets may need to be re-profiled across financial years.
27. Further consideration should be given to the long-term strategy for funding future tranches of schemes including contributions from partners and the utilisation of new funding streams such as the Community Infrastructure Levy (CIL).

#### **Legal Implications – Monitoring Officer**

28. The report sets out the process by which relevant schemes for the addendum to the third tranche have already been identified and these are schemes which have been the subject of consultation and may need to have further public consultation, if required, before final approval by the LEPs. The LEPs will need to take account of the results of those consultations when finalising their views. The report also sets out proposed principles by which decisions can be made about how the costs of the local contributions to the schemes can be shared with boroughs and districts and the rationale behind these principles is clear and takes account of relevant matters. As the final decision regarding the amount of

contribution is an executive function it can properly be delegated to the Strategic Director for Environment and Infrastructure.

### **Equalities and Diversity**

29. An initial equalities and diversity screening was carried out in advance of the report to Cabinet of 27 November 2012 which indicated that a full Equalities Impact Assessment was not required. However, project specific equality and diversity screening is to be undertaken as part of the development of each project. All the proposed schemes seek to eliminate any perceived and/or actual inequalities through compliance with up to date design standards which address disabled access and social inclusivity. Improved crossing facilities and disabled access will be provided at pedestrian crossings and junctions, wherever appropriate.

### **Public Health / Climate change / carbon emissions implications**

30. A key objective of many of the proposed schemes, in particular the Sustainable Transport Package Schemes (STP), 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. In addition to this, improvements in public health can be gained through more walking and cycling.

### **WHAT HAPPENS NEXT:**

31. **For C2C LEP:** Business cases for the Greater Leatherhead STP and the A24 Epsom town centre Resilience projects are expected to be submitted to the LEP during the autumn of 2016. The LEP decision can be expected by January 2017 or earlier.
- For EM3 LEP:** Business case for 'Wider Staines STP (phase 1)' scheme needs to be submitted by 30 September 2016, subject to approval by Cabinet of the SCC direct local contribution at this meeting. The LEP decision can be expected by mid November 2016. The A30 London Road Camberley project is also planned to be submitted to the LEP during 2017.
32. Detailed design and procurement for the schemes will commence following approval from the LEP. The costs for Detailed Design, Construction, Project Management and Supervision can be reclaimed from the LEP. These costs have been included in the scheme cost estimate submitted in the business cases.
33. Following final approval by the LEPs of the business cases, all partner organisations will be informed of the outcomes. Cabinet Members and Local Members will also be updated by the Cabinet Member for Highways, Transport and Flooding, and the Strategic Director of Environment and Infrastructure. If appropriate, further report or reports to Cabinet may be required to gain approval to start work.

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### **Contact Officer:**

Lyndon Mendes, Transport Policy Team Manager, tel: 020 8541 9393



**Consulted:**

Trevor Pugh, Strategic Director, Environment and Infrastructure  
Jason Russell, Assistant Director, Highways and Transport  
Kevin Lloyd, Lead Manager, Economic Growth

Details of external consultation and future consultation arrangements are covered in the Consultation section of this paper.

**Annexes:** None

**Sources/background papers:**

Cabinet Report, 'Supporting the economy through investment in transport infrastructure', 27 November 2012.

Cabinet Report, 'Supporting Economic Growth', 25 February 2014.

Cabinet Report, 'Supporting Economic Growth through investment in Highways infrastructure', 23 September 2014.

Cabinet Report, 'Supporting Economic Growth – implementing the Local Growth deals', 21 October 2014.

Cabinet Report, 'Supporting Economic Growth through investment in Transport and Highways infrastructure – second tranche', 16 December 2014.

Cabinet Report, 'Supporting Economic Growth through investment in Transport and Highways infrastructure – third tranche', 15 December 2015.

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