

SURREY COUNTY COUNCIL**CABINET****DATE: 23 SEPTEMBER 2014****REPORT OF: MR PETER MARTIN, DEPUTY LEADER****MR JOHN FUREY, CABINET MEMBER FOR HIGHWAYS,
TRANSPORT AND FLOODING RECOVERY****LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR, ENVIRONMENT &
INFRASTRUCTURE****SUBJECT: SUPPORTING ECONOMIC GROWTH THROUGH INVESTMENT
IN HIGHWAYS INFRASTRUCTURE****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. The 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, and the arrangements require a local contribution to be made to the cost for the transport schemes.

Initial allocations from the Government's national Local Growth Fund to the LEPs were announced in July 2014, along with a prioritised list of transport schemes. This first Local Growth Deal targeting 2015/16 and releasing £2bn is the first part of £20bn over the period 2015-20. EM3 was awarded £118m and C2C £202m with £79m of this to be used in 2015/16.

The county council is now required to confirm the local contribution towards the cost of the 1st tranche of transport schemes, which are due to start in 2015/16.

Business cases for the 1st tranche of schemes are required to be submitted by 30 September 2014 to EM3 and by 31 October to C2C. It is a requirement that the county council confirms that the local contribution is available when it submits the business cases.

RECOMMENDATIONS:

It is recommended that:

1. The county council's share of the local contribution to the cost of the first tranche of the 2015/16 Local Growth Deal programme of schemes is met from the Economic Regeneration capital budget.
2. Authority is delegated to the Strategic Director for Environment and Infrastructure, in consultation with the Deputy Leader, Cabinet Member for Highways, Transport and Flooding Recovery and the Director of Finance, to

agree the precise amount of the SCC contribution.

3. The principles set out in paragraph 7 should form the basis for discussions with the Boroughs and Districts on how the local contribution to schemes might be shared in the future.

REASON FOR RECOMMENDATIONS:

The prioritised 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 set 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, improved access for cyclists, pedestrians and buses, as well as enabling economic development and regeneration.

Under the funding arrangements, local authorities are required to provide a local contribution to the schemes to reflect the local benefits that will be provided. Therefore if we wish these schemes to proceed to business case submission, we will need to confirm that this local contribution is available.

This is the 1st tranche of schemes that has been funded from the Local Growth Deal. The precise amount of the 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 set out in this report.

DETAILS:

Introduction and scope of the report

1. Cabinet approved a list of major transport schemes in November 2012, and it was proposed that an update be provided every 2 years. Since then responsibility for allocation of infrastructure funding has transferred from the Department of Transport [DfT] to Local Enterprise Partnerships (LEPs) through the Local Growth Deal. Their plans for the period from 2015 to 2021 are set out in SEPs of the two LEPs.
2. As part of the development of the SEP, each Local Highway Authority had to submit proposed transport schemes that could be implemented during 2015 – 2021 (Cabinet report 'Supporting Economic Growth', 25 February 2014). The county council submitted approximately 60 schemes, including Highways Agency and Network Rail schemes, derived from county council's draft Local Transport Strategies and from the Boroughs and Districts Local Development Plans.
3. During the process of refining the SEPs in early 2014, Government prioritised schemes that could be started in 2015-16.
4. In July 2014, Government announced the allocation of LGF for each LEP and also expressed a preference for schemes that should be prioritised, from the indicative programme for 2015-2016.
5. The local contribution to schemes in the 2nd tranche will be covered in a separate report to Cabinet, together with the potential programme for

2016/17, the scope of which is subject to guidance which Government is expected to provide to the LEPs shortly. This means that the potential programme for 2016/17 cannot be finalised until later this year. The programme beyond 2016/17 will not be addressed until after the General Election in May 2015.

The 1st tranche of programme for 2015-16, costs and local contribution

6. The local contribution to the Capital cost of scheme implementation varies depending on the LEP and the type of scheme. EM3 requires a minimum of 25% local contribution. For C2C, the rate of contribution varies with the type of scheme: 25% for sustainable transport schemes; 20% for transport major schemes; 15% for maintenance or flood alleviation schemes (resilience schemes). The costs of the 1st tranche of schemes, and the required total local contribution from the county and the relevant boroughs and districts, are set out in Table 1 below.

Table 1: 1st tranche of prioritised schemes and likely spend profile

LEP	Scheme name	Est. Const. Cost	Local contrib. required	For 2015/16	For 2016/17
EM3	Runnymede Roundabout, Runnymede BC	£4,800,000	£1,200,000	£600,000	£600,000
EM3	Egham Sustainable Transport Package (STP), Runnymede BC	£3,700,000	£925,000	£462,500	£462,500
C2C	Epsom TC Plan E, Epsom & Ewell BC	£2,700,000	£540,000	£270,000	£270,000
	Total	£11,200,000	£2,665,000	£1,332,500	£1,332,500

Proposed Approach to Cost Sharing

7. The Borough and District Councils and the county council will be beneficiaries of these transport schemes, and it is proposed that a cost sharing mechanism should reflect the benefits the scheme provides to each as follows:
- 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 this 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 directly to economic 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 [maintenance and/or flood alleviation], 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.

- It is proposed that the whole life maintenance costs of the schemes will be provided by the county council, as highway maintenance is funded by the DfT through the Maintenance Block Grant.

8. These principles will be discussed with the Boroughs and Districts.

CONSULTATION:

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 or 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. For the two schemes for Runnymede BC, public consultations were conducted with residents, local businesses, business forums, bus and train operators as appropriate, during autumn 2013. Proposals for both the schemes met with overall approval. Epsom & Ewell BC has conducted public consultation for Epsom Plan E, during 2008-9, as part of the Area Action Plan. Specific consultations are to be held with a small group of businesses that may be directly affected by the proposed changes, when the scheme options have been validated. These consultations are expected to be conducted during September – November 2014.
12. All the expressions of interest that went 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. The results will also go to influence the detailed design development process of the schemes.
14. Cabinet should note that 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 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 Highways Agency, Network Rail, Environment Agency, etc, as well as with statutory undertakers (utility operators), as appropriate to each scheme.
16. Cabinet should also note that further statutory consultation will happen once the detailed scheme designs are ready.
17. Reference to specific consultation activity that has already happened and briefings to Local Committees are included in Table 2 below:

Table 2: Consultation Undertaken

Scheme	Link reference	Notes
Runnymede Roundabout & Egham STP	http://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=198&MId=3556&Ver=4 http://www.surreycc.gov.uk/roads-and-transport/roads-and-transport-policies-plans-and-consultations/major-transport-projects/runnymede-major-transport-schemes	<p>Runnymede Local Committee – 9 June 2014. These notes provide an update on the outcome of the consultation.</p> <p>Online consultation web page, as used during the consultation period</p>
Epsom Plan E	http://www.epsom-ewell.gov.uk/EEBC/Planning/Planning+Policies/Local+Development+Framework/Epsom+Town+Centre+Area+Action+Plan.htm http://www.epsom-ewell.gov.uk/NR/rdonlyres/916A56C8-163D-494E-9E43-E13E6CBFB4BF/0/dConsultationstatementandannexes.pdf	<p>Epsom & Ewell's Area Action Plan, 2008-9</p> <p>Consultation statement and details</p>

18. For the Runnymede Roundabout scheme, which borders National Trust land and slip road to M25 motorway, appropriate consultation has been undertaken with The National Trust, Environment Agency, English Heritage, Highways Agency and other statutory consultees.

RISK MANAGEMENT AND IMPLICATIONS:

19. The costs set out in this report are estimates that were reviewed in 2012, 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 reduced, 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 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. 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 implement. For the 1st tranche of schemes, additional support is being provided by external consultants as there is a need for immediate input to develop the full business cases. The schemes in the 1st tranche can be developed to full business case within current budget provision.
21. In the longer term, with greater clarity of the likely number of schemes for the remainder of the programme and the resource requirements, our intention is to use directly employed staff, as we believe that this will be more cost effective than relying on external consultants.
22. The Highways and Transport service is restructuring, and staffing levels for transport schemes will be determined as part of this exercise. It is anticipated that the new structure will be in place in March 2015.
23. There is a risk that if we do not financially support the early schemes, and deliver them well we may lose the opportunity to access LEP funding for later potential schemes. Conversely if we do provide large amounts of funding to the first tranches we could limit our ability to support later potential schemes. Officers are working on proposals for greater joint working with Districts and Boroughs including scheme conception, prioritisation and funding to help control this latter risk.

Financial and Value for Money Implications

24. The proposed transport schemes will deliver significant benefits to Surrey, and, depending on the type of scheme, 75% or more of their historically estimated capital cost will be provided by LEP, and therefore the required local contribution represents good value for money for Surrey residents.
25. The Economic Regeneration capital budget can provide the necessary county council share local contribution over 2014/15 to 2016/17 allowing for other expected commitments. If the principles set out in paragraph 7 are applied to these schemes then the SCC share of the local contribution would be a lower figure than the maximum £2.7m stated in Table 1 above.
26. 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

27. The Section 151 Officer highlights that the estimated construction costs for the schemes were prepared some time ago and last reviewed in 2012. As the grant funding is fixed, subject to the steps outlined in paragraph 19, any variance between the estimates and the contract price would increase the local contribution required. The council would also need to meet future maintenance costs for these schemes. The detailed cost estimates and methodology adopted will be reviewed by the Investment Panel at its meeting in September.

28. The council's contribution will be funded from the Economic Regeneration capital budget. Depending upon final cost and the profile of spend, this may require that capital is brought forward into earlier years.
29. Further consideration to the long-term strategy for funding the 2nd tranche of schemes and any subsequent schemes, including the consideration of the revenue costs associated with preparation, is required and will be reported to Cabinet in the late autumn. This review should incorporate the likelihood of enhanced contributions from District & Borough councils from the utilisation of new funding streams available, in particular in relation to the Community Infrastructure Levy (CIL).

Legal Implications – Monitoring Officer

30. The report sets out the process by which relevant schemes for the first tranche have already been identified and these are schemes which have been the subject of consultation and will need to have further public consultation 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.

Equalities and Diversity

31. 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. 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.

Climate change/carbon emissions implications

32. 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.

WHAT HAPPENS NEXT:

Presentation of the proposals for the 1st tranche will be made to the Procurement Review Group and the Investment Panel in September 2014.

EM3 LEP has recently asked for a mini business case to be submitted for the Egham STP by 16 September 2014. This is in advance of the full business cases required for Runnymede Roundabout by 30 September 2014 and Epsom Plan E by 31 October 2014.

The schemes are expected to be assessed by consultants to be appointed by the LEPs. The reports by consultants are to be presented to the Local Transport Boards, who in turn would make the relevant recommendation to the LEPs. If the applications are successful, LEP approval can be expected by January/ February 2015. It is possible that following the LTB recommendations, schemes may be subject to further consultation with the business community, prior to the allocation of funding. This aspect of the process is still uncertain.

Detailed design and procurement for the schemes will commence following approval from the LTB/ LEP. The costs for Detailed Design and Construction Supervision can be reclaimed from the LEP, as the DfT accept that these costs can be treated as capital costs and included with the construction costs. These costs are included in the scheme cost estimate submitted in the SEP.

Following final approval by the LEPs of the business cases for the prioritised schemes, 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 Recovery, and the Strategic Director of Environment and Infrastructure. A further report or reports, to Cabinet, will be required to gain approval to start work.

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Consulted:

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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:

There are no annexes to this report.

Sources/background papers:

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

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