

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 16 DECEMBER 2014**

**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: SUPPORTING ECONOMIC GROWTH THROUGH INVESTMENT  
IN TRANSPORT AND HIGHWAYS INFRASTRUCTURE –  
SECOND TRANCHE**



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#### **SUMMARY OF ISSUE:**

On 23 September 2014, the Cabinet approved the arrangements for local financial contribution for the first tranche of three transport schemes of the 2015-16 Local Enterprise Partnership (LEP) Local Growth Deal programme.

Since that Cabinet meeting the financial requirement from the county council has been confirmed at £1.8m, significantly lower than the £2.7m potential commitment agreed.

Approval is now sought for the arrangements for local contributions for the second tranche of seven schemes, for the 2015-16 programme. The business cases for these schemes need to be submitted by 30 January 2015 or earlier, with construction to commence during 2015/16.

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 local contribution is available when it submits the business cases.

#### **RECOMMENDATIONS:**

It is recommended that:

Authority is delegated 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 precise amount of the Surrey County Council contribution, based on the proposals set out in Table 2.

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

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 partners are required to provide a local contribution to the schemes to reflect the local benefits that will be provided. Therefore if these schemes wish to proceed to business case submission, The Council will need to confirm that this local contribution is available.

This is the second tranche of schemes to be funded from the Local Growth Deal. 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 and repeated below.

## **DETAILS:**

### **Introduction and scope of the report**

1. 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 – Runnymede Roundabout and Egham Sustainable Transport Package (STP) to EM3 LEP and Epsom Plan E to C2C LEP. During August 2014, EM3 LEP requested earlier submission of mini business cases for Egham STP and Blackwater Valley Better Connectivity STP schemes by 16 September 2014.
2. Since the Cabinet report on 23 September 2014, two developments have taken place, altering the account presented. One relates to changes in the funding of two schemes by EM3. The other concerns reduction in the amount of contribution required from Surrey County Council, as a result of the relevant Boroughs sharing the cost of local contribution.

### **Proposed Approach to Cost Sharing**

3. Cabinet has agreed principles for sharing local contribution costs with Districts and Boroughs and these have been used in discussions with them.
  - 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 Department for Transport (DfT) through the Maintenance Block Grant.

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).

**4. Tranche 1.**

In October 2014, EM3 LEP approved the business case for Egham STP but with revisions to the LGF contribution. The LGF contribution for year 1 only (2015/16) has been confirmed but with the LGF funding to span 3 years as opposed to 2 years as originally proposed. Funding for 2016/17 and 2017/18 is expected to be confirmed at a later date.

The following table shows the confirmed make up of local contribution.

**Table 1: First tranche of schemes showing confirmed contributions**

LEP	Scheme name	Est. Const. Cost	Local contribution required	Anticipated SCC local contribution share	Anticipated Borough local contribution share	S106 Contr.
EM3	Runnymede Roundabout, Runnymede BC	£4,800,000	£1,200,000	£950,000	£250,000	£0
EM3	Egham STP Runnymede BC	£3,700,000	£925,000	£575,000	£250,000	£100,000
C2C	Epsom TC Plan E, Epsom & Ewell BC	£2,700,000	£540,000	£252,000	£200,000	£88,000
	<b>Total</b>	<b>£11,200,000</b>	<b>£2,665,000</b>	<b>£1,777,000</b>	<b>£700,000</b>	<b>£188,000</b>

5. The Cabinet meeting of 23 September 2014 approved allocation of up to £2.7m from the Economic Regeneration Capital budget, to cover the required local contribution. Based on current understanding of partner and S106 developer contributions, SCC’s direct contribution toward the first tranche of schemes is now expected to be £1.777m.

**6. Tranche 2:**

7. EM3 has approved the business case for the Blackwater STP scheme and is prepared to commit up to £500,000 of LGF funding for 2015/16 but with no current commitment to funding in future years. As a result, the scheme scope has had to be re-defined to correspond to the level of funding. It will now be referred to as Blackwater Valley Better Connectivity STP – Phase 1. Further phases could be developed, if funding becomes available in subsequent years.

8. There are seven schemes in the second tranche of the 2015-16 programme including the Blackwater Valley Better Connectivity STP – Phase 1, with three schemes for EM3 LEP and four schemes for C2C LEP. Construction for all these schemes is intended to commence during 2015.
9. The programme for 2016-17, comprising tranches three and four will be covered in a separate report to Cabinet, following further clarification from government on the exact amount of funding to be released for 2016-17 and the subsequent years. A tool for prioritisation of schemes has been developed to be used in concert with Borough/District partners, to finalise the programme for 2016-17.
10. C2C LEP has recently requested early details of Resilience schemes only [maintenance and/or flood alleviation] for Tranche 3/4 programme. The rationale is to identify schemes that could potentially be developed in 2016/17, if additional government funding became available. This represents over-programming by the LEP. The following schemes are being proposed to the LEP in November 2014:
  - A240 Resilience scheme, Epsom & Ewell BC
  - A217 Resilience scheme, Reigate & Banstead BCIf approved by the LEP, details of these schemes will be included in a future Cabinet report on Tranche 3/4 SEP schemes.
11. The costs of the second tranche of schemes, and the required total local contribution from the county and the relevant boroughs/districts, are set out in Table 2 below.
12. SCC is liable for the full local contribution for – Resilience schemes and Wider Network Benefits package, as both are maintenance type schemes. C2C LEP has set aside up to £5.5m for Resilience schemes for 2015/16 and is bidding to government for a further £2m. Therefore, to maximise our share of the LGF funding, a Resilience package of £8.82m is being recommended. This can be scaled to fit the amount available from the LEP.
13. The Sustainable Transport packages and the Resilience Schemes are bids to allocations of funding held by the LEPs for these type of schemes rather than provisional allocations against specific schemes. The bids from Surrey were prioritised as agreed in the 21 October 2014 Cabinet report, “Supporting Economic Growth- Implementing the Local Growth Deals”.

**Table 2: Second tranche of prioritised schemes and expected contributions**

LEP	Scheme name	Est. Const. Cost	Local contrib. required	Funded by	Borough and District share of local contribution.	SCC share of local contribution.	Other contributions.
EM3	Blackwater Valley Better Connectivity – Phase 1, <i>X-boundary joint with Hampshire CC</i>	£670,000	£170,000	SCC + HCC	£0	£0	£170,000 [1]
EM3	A30/ A331 Meadows Gyrotory, <i>S/Heath BC</i>	£4,900,000	£1,225,000	SHBC + SCC	£750,000	£0	£475,000 [2]
EM3	Victoria Arch, <i>Woking BC</i>	£10,000,000	£2,500,000	WBC	£2,500,000	£0	n/a
C2C	Wider Network Benefits, <i>Cross Boundary</i>	£3,000,000	£600,000	SCC	£0	£600,000	
C2C	Greater Redhill STP, <i>Reigate &amp; Banstead BC</i>	£4,900,000	£1,225,000	RBBC	£0	£0	£1,225,000 [3]
C2C	A22 Resilience <i>Tandridge DC</i>	£4,900,000	£735,000	SCC	£0	£735,000	
C2C	A23 Resilience <i>Reigate &amp; Banstead BC</i>	£3,920,000	£588,000	SCC	£0	£588,000	
	<b>Total</b>	<b>£32,290,000</b>	<b>£7,043,000</b>		<b>£3,250,000</b>	<b>£1,923,000</b>	<b>£1,870,000</b>

**Notes:**

- [1] Local contribution £170,000 for the Blackwater Valley Better Connectivity – Phase 1 scheme is to be met from the SANGS funding, held by Hampshire CC.
- [2] SCC contribution of £475,000 for A30/ A331 Meadows Gyrotory scheme is to be met from the S106/ developers contributions for the scheme, held by SCC.
- [3] Local contribution of £1,225,000 for the scheme is to be met from the Horley Master Plan Agreement, held by SCC.

**CONSULTATION:**

14. 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.

15. 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.
16. Design proposals for schemes have been/are being presented to Local Committees for scrutiny and approval of the preferred solutions.
17. 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.
18. 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.
19. 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.
20. This includes all required and necessary consultation with statutory agencies, such as the Highways Agency, Network Rail, Environment Agency, etc, as well as with statutory undertakers (utility operators), as appropriate to each scheme.
21. The Cabinet should also note that further statutory consultation will happen once the detailed scheme designs are ready.
22. Reference to specific consultation activity that has already happened and briefings to Local Committees are included in Table 3 below:

**Table 3: Consultation Undertaken**

Scheme	Link reference	Notes
Blackwater Valley Better Connectivity	This bid supports the Local Sustainable Transport Fund revenue funding from government. Details of the revenue bid can be found here <a href="http://www.surreycc.gov.uk/_data/assets/pdf_file/0003/813864/LS TF-2015-16_joint-bid-FINAL.pdf">http://www.surreycc.gov.uk/_data/assets/pdf_file/0003/813864/LS TF-2015-16_joint-bid-FINAL.pdf</a>	This scheme will be developed in partnership with Hampshire County Council, involving all relevant partners and stakeholders such as Guildford & Surrey Heath Borough Councils, Rushmoor Borough Council, the Basingstoke Canal Authority, Blackwater Valley Countryside Partnership etc
A30/ A331 Meadows Gyratory	<a href="http://www.surreycc.gov.uk/roads-and-transport/surrey-transport-plan-ltp3/surrey-transport-plan-consultations-on-the-plan/local-transport-strategies-and-forward-programmes">http://www.surreycc.gov.uk/roads-and-transport/surrey-transport-plan-ltp3/surrey-transport-plan-consultations-on-the-plan/local-transport-strategies-and-forward-programmes</a>	The link refers to the Local Transport Strategies [LTS] for Surrey Heath, Reigate & Banstead and Tandridge, which were consulted upon during September – October 2014. The scheme is referred to directly or indirectly in the LTS.

Victoria Arch	<p>This scheme is being managed by Woking BC, who have consulted with relevant partners and stakeholders.</p> <p>Details can be found on the development website  <a href="http://victoriasquarewoking.co.uk/consultation/">http://victoriasquarewoking.co.uk/consultation/</a></p>	<p>This scheme is part of the Woking Borough Council Victoria Square development. Full details of the plan can be found <a href="#">here</a></p> <p>Full public consultation is planned once the scheme designs are ready as part of the planning process</p>
Wider Network Benefits	N/a	This scheme is an extension of the maintenance programme and as such, not subject to any consultation.
Greater Redhill STP	<a href="http://www.surreycc.gov.uk/roads-and-transport/surrey-transport-plan-ltp3/surrey-transport-plan-consultations-on-the-plan/local-transport-strategies-and-forward-programmes">http://www.surreycc.gov.uk/roads-and-transport/surrey-transport-plan-ltp3/surrey-transport-plan-consultations-on-the-plan/local-transport-strategies-and-forward-programmes</a>	The link refers to the Local Transport Strategies [LTS] for Reigate & Banstead, Surrey Heath and Tandridge, which were consulted upon during September – October 2014. The scheme is referred to directly or indirectly in the LTS.
Resilience Package in Tandridge	<a href="http://www.surreycc.gov.uk/_data/assets/pdf_file/0004/846805/14_15-Tandridge-programmed-schemes.pdf">http://www.surreycc.gov.uk/_data/assets/pdf_file/0004/846805/14_15-Tandridge-programmed-schemes.pdf</a>	<p>Part of the routine maintenance programme and as such, not subject to any consultation.</p> <p>The links refers to the maintenance programme in Tandridge, where the proposed scheme improvements are targeted.</p>
Resilience Package in Reigate & Banstead	<a href="http://www.surreycc.gov.uk/view?a=811837">http://www.surreycc.gov.uk/view?a=811837</a>	<p>Part of the routine maintenance programme and as such, not subject to any consultation.</p> <p>The links refers to the maintenance programme in Reigate &amp; Banstead, where the proposed scheme improvements are targeted.</p>

**RISK MANAGEMENT AND IMPLICATIONS:**

23. The costs set out in this report are estimates that were reviewed in 2013/2014, 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 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.

24. The schemes require significant resources to develop, design and implement. For the second 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 second tranche can be developed to full business case within current budget provision.

25. If we do not submit these Business Cases, the Council will 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 the early schemes, and deliver them well, SCC may lose the opportunity to access LEP funding for later potential schemes. Conversely, if the Council do provide large amounts of funding to the first two tranches, the ability to support later potential schemes could be limited. 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**

26. 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. Therefore, the required local contribution represents good value for money for Surrey residents.

27. The local contribution for the 'Resilience package' schemes can be met in part from the capital budget for the Horizon Programme with remainder from the Economic Regeneration Capital Budget (ERCB). Contribution for the Wider Network Benefits scheme can be met from the ERCB. Local contributions for other schemes are being met by partner contributions, S106 developer contributions and/or other sources, as indicated in Table 2.

28. 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**

29. The Section 151 Officer highlights that the estimated construction costs are currently under review. Estimated costs include an allowance for risk and inflation. As the grant funding is fixed, subject to the steps outlined in paragraph 21, 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. Schemes have been reviewed by the Investment Panel at its meeting in November 2014.



- 30. The Council’s contribution will be funded from the existing Economic Regeneration capital budget (£0.9m) and Project Horizon (£1m). Depending upon final cost and the profile of spend this may require that capital budgets are re-profiled across financial years.
- 31. Further consideration to the long-term strategy for funding future tranches of schemes, including the consideration of the revenue costs associated with preparation, is required and should be reflected in the Medium Term Financial Plan. This review should incorporate the likelihood of contributions from District and Borough councils from the utilisation of new funding streams available, in particular in relation to the Community Infrastructure Levy (CIL).

**Legal Implications – Monitoring Officer**

- 32. The report sets out the process by which relevant schemes for the second 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 for Environment and Infrastructure.

**Equalities and Diversity**

- 33. 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**

- 34. 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:**

- 35. Presentations on proposals for the second tranche have been made to the Investment Panel and Procurement Review Group in November 2014.
- 36. **For C2C LEP:** The business case for ‘Wider Network Benefits’ scheme is expected to be submitted during late January/February 2015. The business cases for Greater Redhill STP and ‘Resilience packages’ were submitted during November 2014, to allow for earlier evaluation of these schemes. LEP approval can be expected by mid 2015 or earlier.

37. **For EM3 LEP:** Business cases for 'A30/A331 Meadow Gyratory' and 'Victoria Arch' schemes will be submitted by 30 January 2015. LEP approval can be expected by mid 2015 or earlier. Following further consultation, construction of some schemes may not commence before late Summer/Autumn 2015.
38. 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 have been included in the scheme cost estimate submitted in the SEP.
39. 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, 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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Details of external consultation and future consultation arrangements are covered in the Consultation section of this paper.

**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.

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