



Environment & Transport Select Committee
Thursday 22 January 2015

**Local Growth Deal – investment in transport infrastructure
during 2015/ 16 to 2017/18**

Purpose of the report: Policy Development and Review

The Committee has requested a report on the recent Local Growth Deals and how this opportunity is being used to fund the transport infrastructure in Surrey. The scope of the report is limited to the schemes being proposed in the current funding round, focused on the 2015/16 programme.

Introduction:

Definition of scheme types:

Major schemes	M	Enterprise M3 and Coast to Capital LEPs define schemes costing £2m or more in capital costs as major. These schemes are predominantly focused on improvements to the highway network – new roads; enhancement to road junctions, traffic signals, bridges, congestion bottlenecks, accident areas; etc.
Sustainable Transport Packages [STP]	S	These schemes are predominantly focused on improving provision for – cyclists; pedestrians and encouraging use of buses and trains; and can also include improvements to road junctions, traffic signals, congestion spots, etc.
Resilience schemes	R	These schemes refer to significant maintenance of the highways infrastructure, to enhance its resilience to flooding and/or general wear and tear. They also include schemes aimed at improving traffic flow across Surrey's highway network.

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 [SEPs], 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, for the 2015 – 2021 periods, based on their respective SEPs. 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. Almost £50 million has been allocated across the two LEP areas, for specific projects within Surrey, starting in 2015/16. This allocation covers the themes – Transport, Skills Capital, Enterprise, Housing and Flooding Resilience. 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.

SEP Programme for 2015/16

4. For 2015/16 allocation, £11m has been committed for major schemes across the two LEPs for Surrey. EM3 LEP also secured £4.3m for sustainable transport, whilst C2C LEP secured £3.7m. C2C additionally secured £5.5m for resilience schemes. There is a competitive process for bidding for the sustainable transport and resilience scheme funds.
5. Schemes for the 2015-16 programmes have been organised into two tranches, to correspond with the submission dates of September/October 2014 and December 2014/ January 2015.

Local Contributions

6. Each LEP require developers to provide match funding / “local contribution”, for each scheme when the 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.

7. In September 2014, Cabinet agreed to provide the County Council's share 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.
8. Discussions have taken place 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.
9. 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.

2015/16 Schemes: 1st tranche

10. Three schemes were submitted as part of the 1st 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.

11. In October 2014, EM3 LEP approved the business cases for Egham STP and Blackwater Valley Better Connectivity STP schemes but with revisions to the LGF contribution.
- For Egham STP, the LGF contribution for year 1 only [2015/16] has been confirmed but with the LGF funding to span 3 years instead of 2 years as originally proposed. Funding for 2016/17 and 2017/18 are expected to be confirmed at a later date.
 - For Blackwater STP scheme, EM3 LEP 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.
12. 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, the direct cost to SCC for 1st tranche of schemes is now expected to be £1,777,000.

The following table summarises the previous and **revised** position, reflecting the local contributions situation, following agreement with relevant Boroughs.

Table 1: 1st tranche of schemes showing previous and revised contributions

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

2015/16 Schemes: 2nd tranche

13. A total of 8 schemes are being submitted as part of the 2nd tranche – 3 schemes to EM3 and 5 schemes to C2C. These schemes, their costs and local contributions are detailed in Table 2 below.

14. Although C2C LEP has set aside up to £5.5m for Resilience schemes for 2015/16, it is bidding to government for a further £2m. Therefore, to maximise our share of the LGF funding, a Resilience package totalling £8.82m is being recommended. This can be scaled to fit the amount available from the LEP.
15. During late November 2014, First Great Western decided to make a bid to the C2C LEP for funding for improving access to Dorking Deepdene station and its connections with Dorking mainline station, which is served by Southern Rail. Although local contribution for the scheme is being fully funded by First Great Western, the business case has been submitted by Surrey CC as the local transport authority.
16. Although not part of the 2nd tranche, two additional resilience scheme business cases have been submitted to C2C LEP in December 2014, as requested, to enable it to ‘place a marker’, should any further funds become available. These schemes are – A24 Network Resilience, Mole Valley, [£4.6m] and A217 Network Resilience, Reigate & Banstead, [£3.225m]. If funded, these schemes would form part of 2016/17 or later programme. These schemes are not included in the table below.
17. The Sustainable Transport packages and the Resilience Schemes are bids to allocations of funding held by the LEPs for these types of schemes rather than provisional allocations against specific schemes. The bids from Surrey were prioritised as agreed in the 21st October 2014 Cabinet report, “Supporting Economic Growth- Implementing the Local Growth Deals”.

Table 2: 2nd tranche of prioritised schemes and expected contributions

LEP / Scheme type	Scheme name	Est. Const. Cost	Local contrib. required	Responsible	Borough and District share of local contribution.	SCC share of local contribution.	Other contributions.
EM3 [S]	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 [M]	A30/ A331 Meadows Gyratory, <i>S/Heath BC</i>	£4,900,000	£1,225,000	SHBC + SCC	£750,000	£0	£475,000 [2]
EM3 [M]	Victoria Arch, <i>Woking BC</i>	£10,000,000	£2,500,000	WBC	£2,500,000	£0	n/a
C2C [R]	Wider Network Benefits, <i>Cross Boundary</i>	£3,000,000	£600,000	SCC	£0	£600,000	

C2C [S]	Greater Redhill STP, <i>Reigate & Banstead BC</i>	£4,900,000	£1,225,000	RBBC	£0	£0	£1,225,000 [3]
C2C [R]	A22 Resilience <i>Tandridge DC</i>	£4,900,000	£735,000	SCC	£0	£735,000	
C2C [R]	A23 Resilience <i>Reigate & Banstead BC</i>	£3,920,000	£588,000	SCC	£0	£588,000	
C2C [S]	Dorking Transport Package – Phase 1, <i>Mole Valley DC</i>	£800,000	£200,000	First Great Western	£0	£0	£200,000 [4]
	Total	£33,090,000	£7,243,000		£3,250,000	£1,923,000	£2,070,000

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 Gyratory 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.
- [4] Local contribution of £200,000 for the Dorking Transport scheme is to be met by First Great Western Rail company.

Programme for 2016/17 and beyond

18. The choice of schemes for subsequent tranches will be dictated by a number of criteria, including:
- Inclusion of schemes that have been prioritised by the LEPs and/or DfT.
 - The scale of LGF funding available to each LEP and their specific priorities.
 - The scale of local contribution required for the candidate list of schemes, the extent of contribution forthcoming from District/ Boroughs and/ or S106/ CIL contributions.
 - The resource capacity within SCC to prepare the business cases as well as to manage delivery of both the on-going and new programme of work.
19. The following schemes are currently in strong consideration for the 2016/17 programme, whereby the business cases will need to be submitted during Autumn 2015, with construction to commence during 2016/17. However, the exact programme will be subject to the above mentioned criteria.

- Guildford Gyrotory Package [M]
- Guildford Sustainable Transport Package [S]
- Woking multi-modal transport interchange [M]
- Camberley Town Centre improvements [M]
- Clay Lane, Guildford – Phase 1 Extension [S]
- A217 Strategic maintenance package [b/ case submitted in Dec. 2014] [R]
- A24 Strategic maintenance package [b/ case submitted in Dec. 2014] [R]
- Blackwater Valley Better Connectivity – Phase 2 [S]

20. Despite the absence of any commitment of funding for the larger schemes, preparatory work is being undertaken for the following schemes:

- Kiln Lane Link, [M], Epsom & Ewell [est. cost: £22m]
- Staines Bridge, [M], Spelthorne [est. cost: £12.6m]
- Wider Staines-upon-Thames STP – Phase 1, [S], [est. cost: £5.0m]
- Woking STP, [S], Woking [est. cost: £7.5m]
- A3 strategic improvements linked to Guildford-Woking Connectivity Project [M]

Conclusions:

21. Surrey County Council can claim some credit for the LGF allocation given for transport infrastructure to Enterprise M3 and Coast to Capital LEPs, on the basis of the quality of 'expression of interest' submissions made in December 2013 and March 2014. In addition, SCC has carried good credibility with DfT for the deliverability of its major transport schemes, within time and budget. As a consequence, SCC will have submitted business cases for 11 schemes during 2014/15, with construction to start during 2015/16. Assuming that they all are approved, it would result in LGF investment of £ 33.78m in Surrey's transport infrastructure.
22. During 2013/ 2014, preparatory effort has been focused almost entirely on the 10¹ business cases for the Tranche 1 & 2 submissions, due during October – December 2014 and January 2015. Work on the schemes for 2016/17 programme, with business cases due in October 2015, is to commence from start of 2015.

Recommendations:

23. To endorse the proposed schemes for 2016/17 programme and beyond.
24. For the Select Committee to support the commitment for sufficient resourcing to enable the programme for 2016/17 and beyond to be pursued without compromises; recognising that smaller major schemes [less than £5m] require about 1-3 years of committed resource for the production of a credible business case, whilst larger schemes require longer time-frame and resource.

Next steps:

25. Submission of the 2nd tranche of business cases on 30 January 2015 – 'Wider Network Benefits scheme' to C2C LEP; 'A30/ A331 Meadows Gyrotory' and 'Victoria Arch' schemes to EM3 LEP.
26. Following LEP approval for the business cases submitted, detailed design and procurement for the approved schemes will be undertaken. Cabinet approval will be sought to award tenders. All partner organisations will be informed of the outcomes and plans.

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¹ A total of 13 business cases will have been submitted, though only 11 relate to the 2015/16 programme. Of these 11, Woking BC has been responsible for preparing the business case for Victoria Arch.

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.

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 highways infrastructure – Second tranche', 16 December 2012.

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