

SURREY COUNTY COUNCIL**CABINET****DATE: 15 DECEMBER 2015****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 –THIRD
TRANCHE****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.

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.

Approval is now sought for arrangements for local contributions for the third tranche of four schemes, for the 2015-16 SEP programme. The total estimated cost for these four schemes is just under £22m and we are seeking LGF contribution from the LEPs of £17m. Currently, County Council contribution is approximately £3.3m, with partner contribution of £1.4m, which could increase, as discussions are still in progress with the partners. The business cases for EM3 LEP need to be submitted by 29 January 2016; and for C2C LEP by end March 2016. Construction of some of these schemes could commence during 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:

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:

1. agree the precise amount of the Surrey County Council contribution, based on the proposals set out in Table 1;
2. substitute and/ or omit any schemes listed in Table 1 from submission to the LEPs, if so warranted by developments at that time.

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

This is the third 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.

DETAILS:

Introduction

Please note that all figures quoted have been rounded up/ down, as appropriate, to one decimal place per £m, for ease of reference.

1. In July 2014, the government announced Local Growth Fund (LGF) allocation for transport infrastructure to the 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 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 eight schemes as part of the second tranche.

The Third Tranche for business case submissions in early 2016

3. A total of nine schemes are envisaged for the Third and Fourth tranches. 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.
4. Submission of business cases can be made to EM3 LEP in January and/or September; and to C2C LEP in March and/or December. Business cases for four

of the nine schemes can be ready by January/ March 2016. This cluster forms the Third Tranche. The remaining five schemes are included in Fourth Tranche, as their business cases cannot be prepared earlier than September/ December 2016. Also, the local contributions for these schemes are yet to be concluded.

5. Estimated scheme costs and current position regards local contributions for schemes featured in the Third Tranche are set out in Table 1 below.

Please note that the figures in the tables have been rounded up/ down to one decimal place per £m.

Table 1: Schemes featured in the Third Tranche and contribution status

Scheme	Scheme cost	LGF/ LEP ask	Partner Contribution	S106/ CIL contribution	SCC direct contribution
Guildford Transport Package [1]	£8.9m	£6.5m	£1.4m	£0 [2]	£0.9m
Epsom- Banstead STP [3]	£4.8m	£3.6m	£0	£0	£1.2m
A23 Strategic Maintenance [4]	£4.9m	£4.2m	£0	£0	£0.7m
A217 Strategic Maintenance [4]	£3.2m	£2.7m	£0	£0	£0.5m
Total	£21.8m	£17.0m	£1.4m	£0.0m [2]	£3.3m

Total direct impact currently on SCC budget: approx. £3.3m [this may reduce with additional Partner and/ or S106 contributions being agreed].

Notes:

- [1] For Guildford Transport Package, EM3 LEP has agreed to a total contribution of £6,550,000 representing 73% of the estimated costs, requiring a local contribution of £2,360,000 [27%]. GBC has indicated to contribute £1,403,100 but is subject to further discussions. This requires an SCC contribution of £911,000. Currently, S106 developer contribution of £46,000 are also available.
- [2] As stated in [1], a S106 contribution of £46,000 is available. However, due to rounding to one decimal place in £m, it is shown as £0.0m to be consistent.
- [3] The Epsom – Banstead STP is estimated at £4,800,000 requiring local contribution of £1,200,000. Discussions are still in place with respective Borough partners for their contribution towards the scheme. Some S106 contributions may also be applicable for the scheme but are yet to be determined. In the meantime, it is assumed that SCC will bear this contribution, as this is largely a highways related scheme.
- [4] SCC is liable for full local contributions for the two Resilience schemes. These can be met fully from Operation Horizon maintenance programme.
6. Based on the above scenario and qualifying notes, the current full cost to SCC regards local contributions is just over £3.3m. This could attract government investment of £17m. If contributions for the Resilience schemes are excluded, as they are being funded from Operation Horizon maintenance programme, the remainder £2.2m can be contained within SCC's Local Growth Deal Match Fund budget allocation.

CONSULTATION:

7. 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.
8. 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.
9. Design proposals for schemes have been/ are being presented to Local Committees for scrutiny and approval of the preferred solutions.
10. 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.
11. 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.
12. 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.
13. 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.
14. The Cabinet should also note that any further statutory consultation will happen once the detailed scheme designs are ready.
15. Reference to specific consultation activity that has already happened and briefings to Local Committees are included in Table 2, which appears in Annex 1.

RISK MANAGEMENT AND IMPLICATIONS:

16. The scheme costs set out in this report are estimates that were reviewed in 2014/ 2015, 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, and then a further decision on this would be sought from the Cabinet or Cabinet Member, as appropriate.
17. If we do 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 insufficient Council funding remaining for future schemes/ tranches.

Financial and Value for Money Implications

18. 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.
19. Local contributions for most schemes are being met by partner contributions, S106 developer contributions and/or other sources, as indicated in Table 1. However, the details presented in Table 1 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.
20. 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

21. The Section 151 Officer highlights that estimated scheme costs are currently under review, they are in some cases based on outline scheme designs and therefore would be expected to change as designs evolve, and are also subject to change as schemes are procured. In recognition of this, estimated costs include an allowance for risk. As grant funding is likely to be fixed, subject to the mitigation strategy outlined in this report, an increase in scheme costs is likely to result in an increase in the local contribution required. The Council would also need to meet any future maintenance costs for these schemes.
22. 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.
23. 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

24. The report sets out the process by which relevant schemes for 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

25. 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

26. 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:

27. **For C2C LEP:** Business case for 'Epsom – Banstead STP' scheme is expected to be submitted during March 2016. Contributions from partner organisations will continue to be explored, as well as any S106 developer contributions. LEP decision can be expected in Summer 2016 and construction could commence in late 2016/ early 2017. Business cases for the resilience schemes – A23 Strategic Maintenance and A217 Strategic Maintenance have already been approved by the LEP and await allocation of funding, which could happen either in November 2015 or March 2016. If C2C allocates funding for these resilience schemes for 2015/16, construction could commence in early-mid 2016.
28. **For EM3 LEP:** Business case for 'Guildford Transport Package' scheme needs to be submitted by 29 January 2016. LEP decision can be expected by mid 2016 or earlier. If approved, construction of the scheme is unlikely to commence before 2017, owing to the procurement timetable and processes.
29. 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.

30. 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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Consulted:

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Details of external consultation and future consultation arrangements are covered in the Consultation section of this paper and also in Annex 2.

Annexes:

Annex 1: Details of consultations undertaken

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.

ANNEX 1: DETAILS OF CONSULTATIONS UNDERTAKEN

Table 2 includes links to various reports, which contain details of consultations undertaken for the specified schemes.

Table 2: Consultations Undertaken

Scheme	Link reference	Notes
Guildford Transport Package	http://www.surreycc.gov.uk/roads-and-transport/roads-and-transport-policies-plans-and-consultations/major-transport-projects/guildford-major-transport-schemes	The link refers to an ongoing public consultation on the scheme, taking place during 05.10.15 until 15.11.15. Results of the consultation will feed into final design of the scheme.
Epsom – Banstead STP	http://www.surreycc.gov.uk/data/assets/pdf_file/0010/49384/Reigate-and-Banstead-LTS-December-2014-Main-Document.pdf http://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=146&MId=3479&Ver=4 http://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=197&MId=3561&Ver=4	<p>This scheme spans Epsom & Ewell BC and Reigate & Banstead BC.</p> <p>The 1st link refers to Reigate & Banstead Local Transport Strategy December 2014, which refers to the scheme.</p> <p>The 2nd link refers to Reigate & Banstead Local Committee minutes of 01.12.14, which refers at item 59/14 to the Local Transport Strategy and Consultation Report that includes details of the scheme.</p> <p>The 3rd link refers to Epsom & Ewell Local Committee minutes of 15.09.14, which refers at item 26/14 to the Local Transport Strategy and the Consultation Report.</p>
A23 Strategic Maintenance and A217 Strategic Maintenance Resilience Packages in Reigate & Banstead	http://www.surreycc.gov.uk/view?a=811837	<p>Part of the routine maintenance programme and as such, not subject to any consultation.</p> <p>The links refers to the Horizon maintenance programme in Reigate & Banstead, where the proposed scheme improvements are targeted.</p>