

SURREY COUNTY COUNCIL**LEADER****DATE: 9 APRIL 2013****LEAD OFFICER: IAIN REEVE, ASSISTANT DIRECTOR, ECONOMY, TRANSPORT AND PLANNING****SUBJECT: SUPPORTING ECONOMIC GROWTH: FUNDING FOR SURREY CONNECTS FOR ECONOMIC DEVELOPMENT ACTIVITY****SUMMARY OF ISSUE:**

The Leader is asked to approve a request from Surrey Connects to use funds previously given to Surrey Economic Partnership. This will allow Surrey Connects to support the delivery of the Surrey Connects Smart Economic Growth strategy and action plan. This will help Surrey Connects achieve its vision: To position Surrey as a world class economy and to double its Gross Value Added by 2030.

RECOMMENDATIONS:

It is recommended that:

1. The Leader approves the change of use for funding held by Surrey Connects for economic development activity, and that the legal agreement between Surrey County Council and Surrey Economic Partnership be novated to Surrey Connects with amended Schedules 1 and 2 to reflect the changes in use of the funding set out in the Annex 1 hereto.

REASON FOR RECOMMENDATIONS:

The funding was initially allocated to Surrey Economic Partnership as part of a reward scheme operated by the previous Government, and the balance is now held by Surrey Connects. The board of Surrey Connects have requested approval to use these funds for general economic development activity, in addition to their original use for the promotion of electric vehicles.

DETAILS:

1. The previous Government operated a system called Local Public Service Agreements (LPSA). Local authorities and their partners would sign agreements with Government to achieve better than expected levels of performance across a range of council activities. If the higher levels of performance were achieved, the Government would provide reward funding. The Government did not impose any restrictions on what the reward funding could be used for, other than that half of it was revenue and half was to support capital expenditure. No requirement was made about this in the agreement with Surrey Economic Partnership with the correct balance being achieved across the wider programme.
2. Surrey County Council entered into a Local Public Service Agreement with the then Government covering the period from 1 April 2005 to 31 March 2008. This included twelve key targets on subjects as varied as reducing

unemployment, improving road safety and enabling vulnerable older people to live independently.

3. The agreement included a target to reduce congestion on six of the busiest roads in Surrey. The Surrey Strategic Partnership (a voluntary partnership no longer in existence) agreed that the LPSA reward funding for this target would be shared between Surrey County Council, Surrey Economic Partnership Limited, Woking Borough Council, Guildford Borough Council and Reigate and Banstead Borough Council.
4. The target was successfully achieved. The Government subsequently provided reward funding in line with the LPSA agreement. Surrey Economic Partnership's share of this reward funding was £550,000.
5. As the Government had not stipulated what this reward funding had to be spent on, it was up to the individual Surrey Strategic Partnership members to decide how to use the funds. Surrey Economic Partnership, in discussion with Surrey County Council officers and elected members, decided that it wanted to use its share of the funding to encourage greater take-up of electric vehicles. This would have a number of benefits, including:
 - reducing congestion,
 - improving air quality
 - making Surrey a more attractive place for new businesses to locate to, by providing electric vehicle charging points in office car parks.
 - providing opportunities for Surrey companies which provided electric vehicles and/ or electric vehicle charging points
6. Surrey County Council entered into a legal agreement with Surrey Economic Partnership to use these funds for the promotion of electric vehicles.
7. Surrey Economic Partnership has subsequently been dissolved. Its assets and responsibilities have been transferred to Surrey Connects by the board of Surrey Economic Partnership, pending this report.
8. The board and chairman of Surrey Connects have asked the Council for approval to use these funds for general economic development activity, in addition to the promotion of electric vehicles. The electric vehicle market has changed considerably since the mid-2000s when the reward funding was first allocated. They have tried on a number of occasions to attract a commercial partner for this work, but have been unsuccessful.
9. The original allocation to Surrey Economic Partnership Limited was predicated on strong demand for electric vehicles. However, the demand for electric vehicles has not met the optimistic expectations made in the mid-2000s. There has been limited take up of electric vehicles over recent years. This is partially because petrol-fuelled internal combustion engines have become more fuel efficient and environmentally friendly. Other barriers to take-up include cost (notable, battery cost), limited range between recharges and long recharge times.

10. It is recommended that the legal agreement should be amended to allow Surrey Connects to use the funds for activities connected with economic growth in addition to the promotion of electric vehicles. In effect, this would be a new legal agreement with the new body. Surrey Connects have indicated that their current intentions are to use the funds on these broad activities:

a. Global Competitiveness - £110,000

It is critically important that Surrey remains a globally competitive location, with 250 large companies already based here, activities need to take place that; retain existing businesses and promote Surrey as an inward investment location, and ensure that there is investment in the key infrastructure required for the future success of Surrey's economy.

b. Driving Enterprise - £120,000

To support and Drive Enterprise, Surrey needs to have the right space for business incubation and need to consider developing a comprehensive business support service, promote international trade and exporting activity, and ensure that there is a adequate finance to support business growth.

c. Knowledge Economy - £100,000

Surrey has to capitalise on its strong Knowledge base to drive the economy forward, and establish a world-class business school, and stimulate youth enterprise and address employability issues for the next generations of business creative.

d. Innovation Culture - £30,000

It is critical to support Surreys established success in innovation and build on this culture, and push for Surrey as a leader of the digital age.

e. Surrey Connects - Marketing, communications and research - £40,000

f. Support for electric vehicles - £80,000

g. Car Clubs(as per original contract) - £63,000

Total £543,000

11. At this stage, the work under these proposed headings has not been developed. It is therefore not possible to estimate the likely benefits of this work or their value for money. However, as the headings are consistent with the county council's recently adopted strategy for economic growth, it is proposed that the agreement between Surrey County Council and Surrey Economic Partnership Limited referred to in paragraph 6 is novated to Surrey Connects, as varied by revised Schedule One and Two of the legal agreement (Annex 1).

12. This more flexible approach to the funding would still enable Surrey Connects to promote electric vehicles but would also support the development and delivery of the Surrey Connects Smart Economic Growth strategy and action plan. The eight key actions of the Surrey Connects Action Plan are:

- a. Secure Surrey as a world-class business location by retaining existing businesses and create a strong offer and actively promote Surrey as an ideal inward investment location
- b. Lobby for and stimulate investment in the key business critical infrastructure required for the future success of Surrey's economy
- c. Establish Surrey as a venture capital hub and create a Surrey business investment fund of £1 billion
- d. Increase the provision and actively promote business incubation hubs across Surrey by creating a business incubation network backed with a comprehensive business support service
- e. Stimulate international trade and exporting activity
- f. Establish a world-class business school in Surrey
- g. Stimulate youth enterprise and employability – ensuring young people can succeed in the workplace
- h. Promote Surrey as leaders of the digital age.

Delivering these actions would help Surrey Connects achieve its vision: To position Surrey as a world class economy and to double its Gross Value Added by 2030. This will benefit Surrey residents by supporting sustainable economic growth and innovative transport related activity.

- 13. The Surrey Connects Action Plan, 2012-2015, has been included in Annex 2. This sets out the how Surrey Connects will deliver the eight priority actions, including the rationale for each key action, project outcome(s), milestones and resources.
- 14. As noted in Annex 1, Surrey Connects would continue to support the roll-out of a network of electric vehicle related activity and help to maximise the benefits from such a network. It would also expand the network of car clubs in the county. Funding has been allocated accordingly.

CONSULTATION:

- 15. The Chairman of Surrey Connects has been consulted on the proposed approach.

RISK MANAGEMENT AND IMPLICATIONS:

- 16. If all of the reward funding is used for the promotion of electric vehicles, there is a risk that we may be accused of achieving poor value for money. The revised proposals are more in line with existing council policies and therefore are expected to represent better value for money.

Financial and Value for Money Implications

- 17. Surrey County Council received grant funding from the Government following achievement of LPSA targets. Of this, £550,000 was allocated to Surrey Economic Partnership for promotion of electric vehicles, governed by a legal

agreement between the two parties. Following the dissolution of Surrey Economic Partnership the balance of this funding was transferred to Surrey Connects, where it is currently held.

18. There are no direct financial implications to the Council associated with the recommendation to change the use of this funding. The existing legal agreement will be amended accordingly.

Section 151 Officer Commentary

19. The expected use of funds is set out in paragraph 10, and financial implications of the recommendation are explained in paragraphs 17 and 18. As the exact usage of these funds has not yet been determined at this stage it is not possible to comment on value for money implications.

Legal Implications – Monitoring Officer

20. The Monitoring Officer confirms that all material legal implications and legislative requirements have been considered in this report.

Equalities and Diversity

21. There are no identified negative equalities impacts and therefore an equality impact assessment has not been completed. Where applicable, equality impact assessments will be undertaken as part of the delivery of individual projects.

Climate change/carbon emissions implications

22. Surrey Connects' proposals to expand the network of car clubs in Surrey and roll out a network of electric vehicle related activity (policy development/technical advice) is expected to have positive implications on climate change and carbon emissions.

WHAT HAPPENS NEXT:

- Approval of the request to change the use of the funds will allow Surrey Connects to immediately start delivering on their priorities.

Contact Officer:

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Consulted:

Strategic Director, Environment and Infrastructure
Chief Executive, Surrey Connects
Chairman, Surrey Connects

Annexes:

Annex 1: LPSA Transport Schedule One and Two (revised)
Annex 2: Surrey Connects Action Plan, 2012-2015

Sources/background papers:

- Surrey Connects Smart Economic Growth Strategy, August 2011
 - Surrey Connects Action Plan, 2012-2015
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