

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 23 JUNE 2020**



**REPORT OF: MR COLIN KEMP, DEPUTY LEADER**

**LEAD OFFICER: KATIE STEWART EXECUTIVE DIRECTOR FOR ENVIRONMENT, TRANSPORT AND INFRASTRUCTURE**

**SUBJECT: HOUSING INFRASTRUCTURE FUND FORWARD FUNDING – APPROVAL TO APPOINT A DESIGN CONSULTANCY TO UNDERTAKE THE PRELIMINARY DESIGN FOR THE PROPOSED A320 NORTH OF WOKING SCHEME**

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

The Housing Infrastructure Fund (HIF) Forward Funding is a £5.5 billion government capital grant programme which was launched in 2017 to help to deliver up to 300,000 new homes in England in response to the national shortage of good quality accessible housing. Grant funding is awarded to local authorities on a highly competitive basis for new infrastructure – including transport links, flood defences, environmental mitigations and the like – to unlock the supply of new homes in the areas of greatest housing demand.

As one of four bids to the HIF from the county, Surrey County Council (SCC) in conjunction with Runnymede Borough Council (RBC) submitted a bid to the HIF in March 2019 to facilitate the provision of 3,687 additional homes currently included within the Runnymede Local Plan. Following a comprehensive and detailed due diligence process by Government, the Ministry of Housing, Communities & Local Government (MHCLG) confirmed in March 2020 that SCC has been awarded £41.8 million for the resulting A320 North of Woking scheme. This funding is lower than the £44.1 million for which SCC bid, as the funding excludes the St Peter's Roundabout junction on the A320 which is instead to be delivered by developers delivering the associated housing at this location through a separate development process. The award letter is attached at Annex 1.

Whilst the funding award is a positive step forward for the shared ambitions of SCC and RBC, there are several risks currently with the project that need to be mitigated and which officers are working to resolve before SCC signs the Funding Agreement. However, in the interim, there is a need to commence work on the project as early as possible, and before the full Funding Agreement is signed with MHCLG, to ensure the project can be delivered to the required timetable.

For this reason, approval is required from Cabinet to incorporate the Scheme within the Council's capital delivery programme to allow preliminary design to be undertaken in the development of the scheme prior to the signing of the Funding Agreement with MHCLG. The cost of this design work is being shared between SCC and RBC. If the Funding Agreement is signed, this cost will be fully rechargeable to the scheme funding. No further spend on the project will be made until a further report is brought to Cabinet in September with recommendations on the signing of the Funding Agreement.

**RECOMMENDATIONS:**

It is recommended that:

1. Approval be given to appoint an appropriate and suitable design consultancy to undertake the preliminary design work, with an estimated cost of £0.73m incurred by Surrey County Council, in advance of a full funding agreement being entered into with MHCLG;
2. Agreement that a further report be brought to Cabinet in September 2020 regarding progress with the terms and conditions of the funding agreement and to seek full approval for the scheme; and
3. Authority be given to officers to commence initial negotiations for the acquisition of third-party land, it being understood that this may need to progress to compulsory purchase where necessary, which would be subject to both the signing of the Funding Agreement by SCC and a further Cabinet Member resolution.

**REASON FOR RECOMMENDATIONS:**

The decisions recommended will enable the early work to develop the project to commence in a way that will ensure that the project has the best opportunity to meet the challenging HIF spend timetable of March 2024. It will also enable some of the currently identifiable risks to be better understood and mitigated before Cabinet are asked for a decision for SCC to give full approval for the scheme and to sign the proposed funding agreement.

**DETAILS:****Background**

1. The A320 North of Woking is an arterial corridor south of Chertsey in Surrey connecting a number of villages, international business locations, a regional hospital and Junction 11 of the M25 in the area between Ottershaw to the south and Chertsey to the north. It currently suffers from significant congestion, and this constraint is preventing new growth from sites that will feed on to the road and access the hospital, retail centres and the Strategic Road Network.
2. To support sustainable growth in this area, highway capacity improvements are required to five road junctions, including the M25 junction itself, and 4 associated link roads are necessary therefore to allow 7 sites to be released from the Green Belt to deliver 3,687 new homes. Critically, these essential highway improvements will enable the strategic infrastructure necessary to allow the adoption of the Runnymede 2030 Local Plan.

**Project Details**

3. An integrated package of infrastructure investments has been identified to address the above issues which forms the basis of the successful HIF bid. The project seeks to achieve the following objectives:
  - To facilitate the development of 3,687 homes across the seven identified sites by 2030;
  - To enable delivery of 1,188 new affordable homes to meet the recognised housing demand by 2030;

- To ensure the timely delivery of Longcross Garden Village and its associated Enterprise Zone by 2030; and
  - To increase capacity at the identified junctions and links along the A320 corridor to address the anticipated increase in traffic volume to 2030, in order to provide a safe and balanced level of provision for all road users by 2024.
4. The project scope shown in Annex 2 is based on indicative concept designs at this stage and comprises works to the junctions and links as detailed below. The exact detail of works is subject to change as the preliminary and detailed designs are developed to accommodate constraints due to land availability and acceptability. The scope of the scheme includes the following links and junctions set out below:
- a. Junction 1: A320 Chilsey Green Road / St Ann's Road / B388 Thorpe Road / Staines Road
  - b. Junction 6a & 6b: A320 Guildford Road / Green Lane & A320 Guildford Road / Holloway Hill
  - c. Junction 10: A320 Guildford Road / Murray Road / Chobham Road
  - d. Link 1: Guildford Road (Outside Salesian School)
  - e. Link 2: Guildford Road (Holloway Hill to Bittams Lane)
  - f. Link 3: Guildford Road (St Peter's Way to Chobham Road)
  - g. Link 4: St Peter's Way and M25 Junction 11
5. In relation to Link 4 St Peter's Way and M25 Junction 11, there have been further discussions since the original bid was submitted to Homes England between RBC and Highways England in relation to the Runnymede Local Plan. These discussions are likely to change the scope and costs of the works required and further engagement with Highways England is already ongoing to determine the exact requirements necessary to support the growth in traffic, from the housing developments, at this junction.
6. It is also worth noting that there are a number of constraints that have been identified and need to be managed throughout scheme delivery which include:
- The need to ensure that traffic can continue to use the A320 throughout the project delivery period with minimal disruption and delay;
  - The need to ensure that the improvements to the Ottershaw Roundabout section does not exacerbate the severance between local residents, village shops and the community hall;
  - The need to ensure that St Peter's Hospital and the Ambulance Centre continue to operate without any adverse impacts caused by the project delivery works; and
  - The need to ensure that works undertaken meet the requirement that the A320 serves as a Highways England strategic diversion route in the event of an incident on the M25 between J10 and J1.

## Project costs, funding and next steps

7. The total project cost is estimated to be £41.8 million. The HIF funding therefore provides a vital and critical part of the funding package required to deliver the above project.
8. The HIF funding has been awarded by Homes England to SCC as the accountable body; however, delivery of the project will clearly require partnership working with the borough council and relevant authorities such as Homes England and Highways England. As such, in signing the funding agreement to accept and deliver the HIF funding, SCC will need to be satisfied that the necessary agreements are in place and the necessary clarity is achieved in respect of individual accountabilities within the overall project to ensure that SCC's risks are mitigated in delivering the project.
9. These risks, and the steps to be taken to mitigate these risks, are set out below:
  - The first of these principal risks is a need to ensure that there is an agreement in place with RBC as the local planning authority to the delivery of the housing units indicated in the successful HIF bid of 3,687 units. This will be secured through the development of a Memorandum of Understanding with RBC.
  - Further, there is a need to understand the additional works that Highways England have proposed in relation to Link 4 St Peter's Way and M25 Junction 11. There have been further discussions since the original bid was submitted to Homes England between RBC and Highways England in relation to the Runnymede Local Plan. These discussions suggest that the scope and costs of the works required may need to change, and to this end, further engagement with Highways England is planned to determine what is required to support the growth in traffic at this junction.
  - Finally, there is the risk of the very tight timescale for delivery of the project objectives, with the current deadline of March 2024. As an immediate priority, the County Council are seeking to negotiate a reasonable extension to this deadline to reflect the 12-month delay in receiving the Government's decision on the funding. In the interim, officers are developing the options for an accelerated delivery programme which meets the current deadline.
10. Whilst the Cabinet Member and officers are progressing the above actions to try to mitigate the above risks, it is critical that preliminary design works are commenced if this challenging timetable is to be met. This initial design work will also refine the estimated project costs. This design work is to be funded by SCC, with contribution from RBC.
11. Further, it is also critical that initial negotiations for the acquisition of third-party land are commenced as soon as possible, again in order to ensure that the delivery of the project has the best possible chance of meeting the HIF timetable. These negotiations may need to progress to compulsory purchase if necessary; however, any land purchase would be subject to both the signing of the Funding Agreement by SCC and a further Cabinet Member resolution.

<b>CONSULTATION:</b>
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12. SCC will be undertaking the appropriate local consultation on the proposed highway improvements as part of the scheme delivery process. The consultation may be undertaken in conjunction with RBC.

## RISK MANAGEMENT AND IMPLICATIONS:

13. The processes for ensuring that risks are being managed effectively will be the same as the process that is currently used by SCC to design and to deliver major highway schemes.
14. A number of key risks have already been identified:
- Delivery of the full scheme within the HIF Forward Funding timescale of March 2024 is challenging. To further exacerbate what would have already been a challenging timetable, the time to deliver the scheme has effectively been reduced by one year due to the late decision on funding by MHCLG and subsequently impacted by Covid-19.
  - Potential additional costs due to the Runnymede and Highways England agreement as part of the Local Plan process for additional works at J11 M25.
  - Potential implications of delayed delivery of the housing and the impact on the funding agreement and the possible need for a back to back Memorandum of Understanding with Runnymede.
15. These risks will be addressed in the next report to Cabinet when hopefully adequate mitigation will have been identified and agreed with both Runnymede, Homes England and Highways England.
16. In respect of the decision sought in this Cabinet report to enable officers to commission the preliminary design of the project to enable it to progress, there is one principal risk of which Members should be aware: If the funding agreement is not signed in due course, the costs of the scheme design proposed in this report would need to be met by SCC.

## FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

17. To develop the preliminary design and therefore refine the current cost estimate for the project, a design consultant needs to be appointed. This work needs to commence in advance of agreeing detailed funding terms with MHCLG.
18. To this end, officers have already, in consultation with procurement, identified an appropriate design consultancy to undertake preliminary design works to ensure that there is minimal time loss in developing and supporting the delivery of the project by the funding window.
19. The anticipated total cost of the design work required is £1.23m, of which £0.73m is to be met by SCC and £0.5m is to be met by RBC. Therefore, the estimated cost expected to be incurred by SCC prior to signing a Funding Agreement is £0.730m. Once a Funding Agreement has been signed, it is anticipated that costs incurred to that point, and future scheme costs, will be met from Housing Infrastructure Fund grant. However, if the scheme does not proceed, any cost incurred up to that point could need to be met by SCC.
20. Subject to the signing of the funding agreement, the proposed project detailed at para 4 will be fully funded through the HIF forward funding budget. This would include covering the design costs detailed above.

21. The financial aspects of this project have been scrutinised in detail by Homes England's bid assessment team.
22. The Business Case has identified that the Net Present Value (NPV) of the additional housing benefits, monetised using the land value uplift, is £345 million compared to the option of doing nothing. The assumed Gross Development Value (GDV) for the scheme is £1.74 billion.

#### **SECTION 151 OFFICER COMMENTARY**

23. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook is uncertain as it is heavily dependent on decisions made by Central Government. With no clarity on these beyond 2020/21, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
24. The Section 151 Officer notes that the A320 North of Woking is expected to be fully grant-funded through the HIF, at an estimated cost of £41.8m. Details will be provided in a further report seeking Cabinet approval to the wider scheme, including funding conditions, later in the year.
25. Approving capital spend of £0.73m will allow further scheme development to proceed in advance of agreeing detailed funding terms with Homes England. Discussions between Highways officers and Homes England indicate that these costs can be met from future grant, once funding terms have been agreed. If this is not possible, or if the scheme does not proceed, Surrey County Council could need to fund these costs itself.

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

26. Section 1 of the Localism Act 2011 provides SCC with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the "general power of competence". A local authority may exercise the general power of competence for its own purpose, for a commercial purpose and/or for the benefit of others. The general power of competence allows the SCC to apply for the funding described in this report and to procure a contractor/contractors to undertake the works described.
27. Funding awarded must be spent in accordance with all legal requirements, which will include state aid, public procurement law, wider public law (including the Public Sector Equality Duty), and planning law. SCC has obligations under the overarching funding agreement, including the delivery of objectives within agreed timeframes.

#### **EQUALITIES AND DIVERSITY**

28. SCC will undertake an Equality Impact Analysis for the scheme on completion of the preliminary design in line with the Council's Equality Duty. At this stage, SCC is satisfied that there are no identified negative Equality implications arising from the

proposals. The benefits of the delivery of necessary infrastructure to support housing in principle applies equally to all individuals including those within protected characteristic groups.

29. Further opportunities to make improvements for those with relevant protected characteristics, including disability and age, will be taken at the detailed design stage, when appropriate design features can be incorporated, and other opportunities considered to promote inclusivity for access and transport.

#### **WHAT HAPPENS NEXT:**

Surrey County Council will:

- Progress the preliminary design of the scheme
- Seek Highways England agreement on the scope of the additional Link 4 St Peter's Way and M25 Junction 11 improvements that is required
- Negotiate a legal agreement between SCC and MHCLG encompassing all relevant terms and conditions of the award including commitments by RBC relating to the delivery of housing units
- Seek engagement with Homes England on the current deadline for the project of March 2024

SCC will bring a Report to Cabinet in September 2020 in relation to the Homes England forward funding conditions and to seek full scheme approval.

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#### **Contact Officer:**

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#### **Annexes:**

Annex 1 – Confirmation of funding letter from Ministry of Housing, Communities & Local Government

Annex 2 – Map Showing Scope of Highways Infrastructure Improvements

#### **Sources/background papers:**

None

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