

SURREY COUNTY COUNCIL

CABINET

DATE: **24 NOVEMBER 2020**



REPORT OF: **MR MATT FURNISS, CABINET MEMBER FOR TRANSPORT**

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

SUBJECT: **BLACKWATER VALLEY HOT SPOTS LEP HIGHWAY IMPROVEMENT SCHEME**

ORGANISATION STRATEGY PRIORITY AREA: **Growing A Sustainable Economy So Everyone Can Benefit**

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SUMMARY OF ISSUE:

In 2016, Guildford Borough Council (GBC) secured funding from Enterprise M3 Local Economic Partnership (EM3 LEP) to deliver highway improvements tackling congestion hotspots to support their Local Plan. The improvements are proposed for two junctions, namely the A31 j/w A331 and the A323 j/w A324.

GBC progressed the two schemes and have managed the project from initiation until July of this year. In July, the Borough Council asked the County Council to step in to deliver the schemes on behalf of GBC. This agreement was made based on the best-known cost estimates provided by GBC at that time. Following a review by County Council officers, the cost estimates have been revised, resulting in the potential for up to a £3.179m funding shortfall.

However, the project is considered a priority for Guildford, as the improvements to these junctions will help businesses and residents travel more predictably, supporting economic activity.

This report seeks to explain the background to the scheme and commit the County Council to underwrite the funding shortfall whilst negotiating further funding from GBC.

RECOMMENDATIONS:

It is recommended that:

1. Officers are instructed to work with the EM3 LEP to review the delivery programme in order to minimise financial risk to the County Council;
2. The County Council and GBC engage in active conversations about financial contributions;
3. Approval is given to proceed on the basis of the funding strategy set out in paragraph 15, with the final agreement of funding terms delegated to the Executive Director Environment, Transport and Infrastructure, in consultation with the Executive Director of Resources and the Cabinet Member for Highways.

4. The Executive Director for Environment, Transport & Infrastructure, in consultation with the Cabinet Member for Highways be authorised to agree any additional funding agreements and authorise both the A31 j/w A331 and the A323 j/w A324 schemes be further developed and constructed by the County Council on behalf of GBC.

REASON FOR RECOMMENDATIONS:

The proposed junction improvements will improve road conditions for vulnerable road users, increase highway capacity and support GBC's local plan. To deliver these improvements, the County Council needs to secure additional capital funding to cover the current project funding gap.

DETAILS:

Background

1. In 2016, Guildford Borough Council (GBC) commissioned a study and subsequent design to consider "hot spots" that had been identified in their Local Plan. A "hotspot" is a junction that has insufficient capacity for the volume of traffic using it and has an adverse impact on the efficiency of the highway network in a wider area. It was determined by the Borough Council that improvements to these junctions would aid delivery of housing.
2. The project tackles congestion hotspots at two locations.
 - a. **A331 junction with A31:** This junction is located at the southern end of the Blackwater Valley. It involves the construction of a slip lane for vehicles travelling southbound on the A331, wishing to travel eastbound on the A31 (removing the need for them to use the roundabout). The roundabout will be part signalised and incorporates improved facilities for pedestrians and cyclists, thus supporting vulnerable road users.
 - b. **A323 junction with A324:** Improving the junction of the A323 / A324 by upgrading the traffic signals, improving pedestrian facilities and the construction of an extra lane on the A323 heading eastbound towards the junction.
3. Initially the project was costed at £3.96m by GBC, of which GBC secured a commitment of 50% funding to the project (or £1.98m) from the EM3 Local Enterprise Partnership (LEP). Originally, the project was to be fully commissioned and delivered by GBC, with the County Council undertaking an approval role similar to that provided for S278 works. As such, the feasibility, options analysis and subsequent detailed design produced in the development of the project were commissioned by GBC via their appointed Highway Consultant, Mott McDonald Ltd. As GBC was leading delivery of the project at the time, the delivery arm of the County Council had limited input to this initial development of the project.
4. However, in July 2020, GBC asked the County Council to step in to deliver the project. This was agreed by the Deputy Leader and the EM3 LEP (part funders). There were two conditions of this agreement:
 - a. that SCC would review the design and cost estimates for the project to ensure the project was designed to a deliverable standard; and
 - b. that the County Council and GBC would split any costs above the EM3 LEP funding on a 50:50 basis, with GBC's liability capped at £741,688. At the time, the County Council's commitment was estimated at up to £741,688 – but as

the County was to deliver the scheme, there would be the opportunity to reduce this risk. This agreement was made on the assumption that the further scheme costs would only be £2,162,196, (a figure which included approximately £660k of optimism bias / contingency). GBC had already claimed for costs of £252k and estimated a further £89k needed from the project budget. Hence these costs of £341k added to the estimated figure of £2,162,196 to complete the works, meant that the estimate was significantly lower than the original budget of £3.98m. With this budget including a LEP contribution of up to £1.98m, the risk was deemed to be low. These estimates were provided by GBC's engineering consultant.

5. Since that agreement was made, issues have arisen on which Cabinet decision is required. The scheme costs have been reviewed and as a result, the cost of the project has risen and there is now a funding gap associated with the project. County Council engineers have had the opportunity to review the designs and the estimated construction costs in conjunction with our highway delivery partner Kier. Our analysis estimates a total scheme cost of £5.022m – £1.062m above the original estimated £3.98m budget and approximately twice what the total costs were projected to be in July. The increase has arisen because the review identified cost rates for work were too low, there was an insufficient allowance for utility diversions, ground investigation and the cost of resurfacing both junctions was not included in the original estimate.
6. As explained above, the Borough Council are already committed to contributing up to a further £741,688 to the Hotspots project. As the construction costs figures have increased from the estimates originally provided, this is a lower sum than would have been acceptable if accurate and detailed costings had been known at that time.
7. The other factor is the delivery timescale for the project. There is a requirement to spend at least £1.48m in 2020/21 from the total £1.98m EM3 LEP allocation, with a maximum carry forward (£0.5m) of the remaining funding into 2021/22. This is because Government has set specific requirements on Local Growth Fund spending in individual financial years, so flexibility is not wholly within EM3 LEP's control. The EM3 LEP may be able to flex further depending on the performance and spend profile of other schemes elsewhere in their overall programme during the current financial year. However, the existing agreement with the EM3 LEP means that with the work completed to date (GBC monies already or to be claimed against the scheme from the EM3 LEP), coupled with our forecast construction programme gives a 2020/21 total spend profile of £601k. If the EM3 LEP is not able to agree a carry forward of funds over and above the £500k already in place, it will result in a return of approximately £879k of funding in 2020/21 to EM3 LEP (i.e. £1.48m 20/21 funding minus the £601k forecast spend).
8. The EM3 LEP has been asked if they can both increase their contribution and enable a full carry forward of their existing commitment into the next financial year. GBC have been asked to increase their contribution to the scheme they instigated. A decision of both requests is awaited.
9. In summary, the total cost is estimated to be £5.022m. The maximum potential liability for the County Council is £3.179m. This may be reduced if GBC increase their contribution and / or the EM3 LEP can allocate additional funds or amend their timeframe.

The full business case behind the project has been assessed by the County Council's Capital Programme Panel and is considered robust. The headline numbers are summarised in **Annex 1**.

CONSULTATION:

10. General scheme consultation has been undertaken by GBC. In addition to this, the County Council will ensure impacted residents and road users are advised of any disruption and that it is properly managed.
11. The Deputy Leader was involved in the original agreement with GBC in July 2020, and the Cabinet Member for Highways has been briefed on the amended position.

RISK MANAGEMENT AND IMPLICATIONS:

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12. The potential funding commitment explained is an estimate based on a worst case scenario. This would be where there is no increase in funding from GBC or the EM3 LEP, the EM3 LEP is unable to amend their timeframe for spending funds and all of the contingency in the project (£970k) is needed.
 13. Further public consultation will be needed. There is the risk that there may be local objections to both the changes and the disruption generated whilst the works are being undertaken. This could impact on delivery.
 14. Some highway trees will need to be removed. The County Council is committed to planting more trees in appropriate locations, but there is the potential this will be seen negatively by some residents. This will be managed through effective communication with local residents and stakeholders.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

15. The estimated cost is set out in paragraphs 3 to 9 above. The final cost will be subject to further design and procurement processes, and as such an appropriate risk allowance is included. There is currently a funding shortfall of up to £3.179m across 2020-22. The County Council and GBC are engaged in active conversations about financial contributions. Discussions are also being held with the EM3 LEP to identify additional funding, or flexibility in how existing funding is applied, in order to allow the scheme to proceed. If the funding shortfall cannot be met then the existing Environment, Transport & Infrastructure capital programme will need to be reviewed and reprioritised in order to determine whether there is sufficient funding for the scheme to proceed.
16. As noted above, the headline numbers for the scheme are summarised in **Annex 1**, which also references potential S106 contributions that may become available to support the delivery of the Hotspots scheme. At present none of the potential S106 contributions have been received. The vast majority are likely to be received well after scheme construction is completed, so for reasons of relative uncertainty the potential S106 contributions have been excluded from the potential sources of scheme funding. Should the S106 contributions be received in the future, they could be applied retrospectively to works already completed assuming the scheme is delivered.
17. If approved, the scheme will be delivered in a cost-effective manner and every effort made to minimise risk to the County Council.

SECTION 151 OFFICER COMMENTARY

18. 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. The

public health crisis has resulted in increased costs which may not be fully funded in the current year. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected from next year onward, 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. The Section 151 Officer supports the proposed funding strategy set out in paragraph 15.

LEGAL IMPLICATIONS – MONITORING OFFICER

19. As Highway Authority seeking to carry out the highway works the subject of this report, the County Council can look to the general power of improvement at section 62 of the Highways Act 1980 whereby any authority may carry out works for improvement of the highway on highways maintainable by them at the public expense.
20. In order to formalise the financial arrangements between the County Council and Guildford Borough Council it may be advisable to enter into a legal contribution agreement.

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EQUALITIES AND DIVERSITY

21. The recommendations in this report have no material impact on existing equality policy and therefore a full equalities assessment was not deemed necessary.
22. Before any changes are made on the highway, relevant and proportionate consultation will be carried out with users and interested parties.

WHAT HAPPENS NEXT:

- Confirmation will be sought on funding contributions from both the EM3 LEP and Guildford Borough Council.
- If the recommendations are agreed, both junctions will be constructed before the end of 21/22

Contact Officer:

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Consulted:

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Paul Millin, Group Manager – Strategic Transport
Lucy Monie, Director for Highways & Transport
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Annexes:

Annex 1 – Outline Business Case

Sources/background papers:

None

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