

Enterprise M3 Programme Management Group

16 January 2020

Future Scheme Development Fund – Item 5

Programme Management Group is asked to

NOTE the allocation of £230,000 of Enterprise M3 Future Scheme Development Funding to A31 Hickleys Corner Improvement is not currently required by Surrey County Council.

CONFIRM the existing allocation of £230,000 of Enterprise M3 Future Scheme Development Funding to A320 North Corridor subject to match funding of 50% being available and **ADVISE** whether it requires Surrey County Council to repay the loan whether or not their Housing Infrastructure Fund Bid is successful.

AGREE the allocation of a further £500,000 of Enterprise M3 Future Scheme Development Funding to A320 North Corridor subject to match funding of 50% being available and **ADVISE** whether it requires Surrey County Council to repay the loan whether or not their Housing Infrastructure Fund Bid is successful

1. Background

- 1.1 In March 2018, the Enterprise M3 Board agreed the transfer of £3m of our Local Growth Fund into revenue funding to allow us to support activity aligned to both our Strategic Economic Plan and emerging Local Industrial Strategy. To date this funding has allowed Enterprise M3 to expand its Careers and Enterprise Company and to accelerate the development of Housing Infrastructure Fund bids and other strategic projects across our area. Of the £3m funding, £1.4m currently remains unallocated to activity.
- 1.2 One of the key issues that this funding sought to address was the fact that securing revenue funding to develop large transformational capital projects can be challenging and can often stall or delay projects coming forward. To address this issue, Enterprise M3 developed two funding streams – the Design Advancement Fund and the Future Scheme Development Fund. The Design Advancement Fund is targeted at projects within our Capital Programme and the Future Scheme Development Fund aims to develop a pipeline of key strategic projects in order to increase the chances of securing external funding. For both funds, it was intended that funding would be repaid to Enterprise M3 where possible so that it could be used on a revolving basis.
- 1.3 In early 2018, following an announcement that the area could benefit from a significant amount of investment from the Housing Infrastructure Fund (HIF), we opened up the Future Scheme Development Fund to HIF projects and widened the scope in 2019 to encompass other schemes that needed funding to be developed.

2 Existing Funding Approval

- 2.1 In July 2019, following the receipt of two Expression of Interests from Surrey County Council seeking funding from the Future Scheme Development Fund (FSDF), Programme Management Group agreed to allocate the remaining £460,000 of the FSDF to the development of the A31 Hickleys Corner Improvement and A320 North Corridor Housing Infrastructure Fund (HIF) schemes. These were both large transport infrastructure projects that had the potential to unlock large scale housing sites and support economic growth in line with our Strategic Economic Plan and emerging Local Industrial Strategy priorities.

- 2.2 In November 2019 Surrey County Council advised the LEP that they do not currently require the funding that was allocated to the Hickleys Corner scheme and therefore this funding has been reallocated to the available balance.
- 2.3 There are however different interpretations between LEP and Surrey County Council Officers as to the basis on which the funding is offered. LEP Officers understanding from the discussion at PMG in July was that PMG wished that the funding be offered to Surrey CC on a loan basis and should be repaid to a timescale that would be clarified as part of the funding agreement. However, Surrey CC understanding is that repayment of the funding would only be required if the HIF, or an alternative funding allocation, was secured to actually deliver the improvements. In these circumstances the repayment would then be made within 3 months of the funding being received, but only to the extent to which it could be legitimately capitalised. Otherwise the funding allocation would be treated as a grant. The minutes of the meeting are inconclusive, as both points of view are stated in different parts of the minutes, though the action agreed does refer to a this allocation being agreed on the basis of it being a loan. However, we are bringing this back to PMG at the request of Surrey County Council so clarification of PMG's wishes with respect to this issue can be sought.

3. New Funding Request

- 3.1 Surrey County Council have requested a further conditional loan of £500,000 from Enterprise M3 in order to carry out detailed design, land and legal work for highway infrastructure works on the A320 Corridor, between Woking and the M25. This would be matched by a further £1,000,000 from Runnymede Borough Council and Surrey County Council. The request is for a conditional loan because the local authorities are again asking that the funding is only repayable if the HIF bid for this corridor is successful. Homes England have advised that they will allow claims for monies spent to develop the scheme. However, this cannot be guaranteed, and the view of the local authorities is that should the HIF bid be unsuccessful then the funding should be a grant and not repaid to Enterprise M3.
- 3.2 Surrey Heath, Runnymede and Woking Borough Councils are working with Surrey County Council to develop this scheme. The A320 North Corridor scheme will increase capacity along the A320 corridor north of Woking, through widening and improving junctions and constructing additional lanes at specific locations along the A320 north corridor including Junction 11 of the M25. The scheme is crucial to relieve existing congestion and also take account of forecasted traffic to ensure that future housing requirements within Runnymede and neighbouring boroughs can be met.
- 3.3 The HIF bid for forward funding of the proposed A320 North improvement works was submitted in March 2019 with a delivery timetable from July 2019 to March 2024 (the cut off point for delivery for HIF schemes). Originally Homes England had advised bidders submitting in March that they would have a funding decision in May 2019 but at the time for drafting this report there has still been no announcement. It was expected that once a funding decision was given in May 2019 detailed design of the scheme would have been funded from the capital grant provided in the settlement. The County Council and Runnymede Borough Council do not have sufficient funds to advance the design of the scheme so that it can progress according to the programme set out for Homes England in the March 2019 submission. Homes England have also now indicated that although they have delayed the funding decision by approach a year, they will not allow the programme to be extended by the same amount of time at the end to compensate. The County Council has investigated whether the delivery timetable can be compressed but this is not considered achievable, thus to stay on programme the County Council will need to progress the scheme to detailed design stage ahead of a funding decision to get the scheme ready to meet the original programme timetable.
- 3.4 Delivery of the works within the HIF timetable is crucial in enabling Runnymede Borough Council to deliver much needed housing in the Borough and achieve the housing requirements set out in the emerging Local Plan, as occupation of the dependent units on the 11 allocated sites on the corridor is restricted until improvements to the corridor are completed.

- 3.5 Without LEP investment the local authorities will not be able to fund/meet timescales for undertaking detailed design, land and legal work and will be 6 months behind programme. To date the cost of constructing the scheme has been estimated in the region of £44 million however this cost will be refined as part of the further design work.
- 3.6 Substantial funding has already been committed to the development of this scheme by Runnymede Borough Council, Surrey County Council, Woking Borough Council, Surrey Heath Borough Council and Enterprise LEP. This is in addition to funding provided by Homes England to develop the HIF bid.
- 3.7 In addition to this funding application, PMG has already approved previous funding application including £125k in March 2018 to contribute towards the HIF scheme business case submission and in July 2019, as explained in Section 1 of this report, a further £230,000 towards scheme development costs was approved.
- 3.8 In order to meet Homes England timescales for HIF funding, the proposed works need to be commissioned in January 2020 and based on the current programme completed by March 2024. This completion date will enable housing to be delivered in Runnymede in line with the emerging Local Plan. The suggested spend profile for the funding is given in the Table below.

	2019/20	2020/21	2021/22	2022/23	Total
LEP Future Scheme Development Funding Request		500k			500k
Match Funding [SCC £500k & RBC £500k]	100k*	900k			1,000k
Total Development Funding	100k	1,400k			1,500k

*Assumes that if funding is approved in Jan 20, some match funding could be spent this year, but all the LEP funding would be spent in 2020/21.

4. Recommendation

- 4.1 The submission relates to the Government's Housing Infrastructure Fund and by their nature they are not well developed but do nevertheless offer great potential to deliver significant housing growth in the area. The nature of the FSDF is to bring forward schemes to a state where they can maximise the opportunity to secure funding for delivery. As such there is an inherent risk in supporting such projects as there is no guarantee such funding will be secured, although experience to date, clearly demonstrates such investment has been very successful in securing capital funding.
- 4.2 With respect to the £230,000 allocated to the A320 North of Woking scheme in July PMG's advice is sought on whether this should be a conditional or absolute loan.
- 4.3 If PMG is willing to award an additional £500k funding, they also need to consider the terms on which they would wish this to be offered. As a minimum it is recommended that a funding agreement is drafted to ensure that the maximum possible percentage of loan funding is repaid and that staged payments are made. In this scenario it is envisaged that the majority of the funds should be repayable if the HIF bid is successful as Homes England allow claims for monies already spent to develop the bid. However, alternatively PMG may wish to award funding on the basis that full repayment of the loan is required whether or not the HIF bid is successful. This approach would ensure the funding stream is recycled to support the development of other schemes in the future but places more risk on the scheme promoter. In either scenario it is recommended that at least 50% match funding should be made available.

Kevin Travers
Head of Transport
9 January 2020