

Enterprise M3 Programme Management Group

16 December 2020

Capital Programme Update – Item 3

The Enterprise M3 Programme Management Group is asked to:

NOTE: The current progress in delivering Enterprise M3's capital programme.

NOTE: That the level of available funding unallocated, pending contract signing and decisions by PMG, is now £0.6m.

AGREE: To continue to support the delivery of Phases 1, 2a and 2b of the Sustainable Movement Corridor in the same proportion as the LEP funding allocated to the full package.

AGREE: To support the delivery of Phase 3 of the Sustainable Movement Corridor as part of the wider Gill Avenue scheme, if it goes ahead, but that if that cannot be progressed then the funding associated with this element be reallocated to other projects.

1. Background - Enterprise M3 Capital Funding

1.1. Since the Enterprise M3 Programme Management Group last met on 12th November 2020, we have seen the following changes within our capital programme:

- A further 5 agreements were sealed and 7 others have progressed through to the final stages of approval and signature. This leaves £6.3m to be contracted and equates to 6 further contracts. These are in various stages of completion and should be concluded in the next few weeks.
- The decision by Hart DC not to proceed with **Fleet Town Centre Recovery Scheme** (£148k). Discussions have been underway to deliver an amended scheme that still meets the key criteria, however this has not proved possible.
- The **Surrey EV charging pilot** contract has now been finalised and agreed.
- Work to progress a programme of activity around new workspaces which is outlined in paper Item 4 - Future Workspace Programme.
- The team, with our Accountable Body, have continued to explore the use of freedoms and flexibilities, as outlined by government at the recent mid-year review. A verbal update will be given at the meeting.

2. Capital Programme 2020/21 – Status update

2.1. The team regularly monitor the confidence of spend against each project and have been reporting to PMG and the Board throughout the year. This has proved critical in informing our projected year end position. The latest forecasts for expenditure across 2020/21 range between £33.5m and £50.94m, with a high degree of confidence that £33.5m will be achieved, a reasonable level of confidence that a further £11.6m will be achieved and a low level of confidence that an additional £5.9m will be achieved. The range of these confidence figures remains relatively wide and we expect to be able to refine this figure in the coming weeks, with the finalising of the approach to freedoms and flexibilities. The increase in the high confidence figure (up by £4.5m since the last PMG meeting), is a reflection of projects progressing to contract.

3. Available funding and opportunities to support new projects

- 3.1. At the last PMG meeting, it was reported that there was £71.2m of available funding in 2020/21, comprising this year's LGF allocation from Government, loan repayments and a small carry forward of LGF & GEF from previous financial years. Table 2 below shows the unallocated funding reported at that time.

Table 2: 2020/21 funding position (as at 2 Nov 2020)

	Amount (£m)
Available funding	71.2
Contractual commitments	64.8
Approved projects still subject to contract	5.7
Total unallocated funding available to support new activity	1.1

- 3.2. Table 2 only accounted for the loan repayments up to 31st March 21, as it was agreed on 17th Sept 2019 by PMG that the 2021/22 forecast loan repayments figure of £4.9m would be used to fund the first amount of spend into financial year 2021/22. This was on the Brighton Hill project, at £4.8m. However, since then a number of projects have experienced delivery delay (due to Covid, and other factors) and therefore the delivery will extend into 2021/22. This is acceptable due to the additional loan repayments received which do not have the March 2021 time constraint. Therefore it is now more helpful to report on unallocated funding for the period to the end of next financial year.
- 3.3. Table 3 shows an increase in the available funding for that period, as a result of the inclusion of the forecast loan repayments for 2021/22 and the pending Royal Holloway Cyber Security repayment of £400k (to be finalised).

Table 3: Available funding to March 2022 (as at 8 Dec 2020)

	Amount (£m)
Available Funding (including forecast loan repayments up to 31 March 2021)	71.2
Forecast loan repayments 2021/22	4.9
Cyber Security Repayment	0.4
Available funding to March 2022	76.5

- 3.4. Therefore available funding now stands at £600k, as demonstrated in Table 4.

Table 4: Funding position to March 2022 (as at 8 Dec 2020)

	Amount (£m)
Available funding to March 2022	76.5
Contractual commitments	68.9
Approved projects still subject to contract	6.91
Available funding to allocate to new projects	0.6

The increase in contractual commitments, since the position reported in early November (Table 2), is due to the 2021/22 element of Brighton Hill previously mentioned. The change in the approved projects figure reflects recent PMG approval decisions and also the movement of all Clean Growth projects to the GBF programme.

4. Specific Project Updates

Fleet Town Centre Recovery Scheme

- 4.1. Hart District Council are advising Hampshire County Council that they have decided that the Fleet Road Pedestrianisation scheme should be removed and Fleet Road reopened to traffic. The scheme has been allocated £148,000 from the Supporting Town Centres Fund. Unfortunately, discussions with Hart DC officers have not been able to identify an alternative scheme that meets the criteria of the fund. Therefore whilst formal notification of this from Hart is still pending, it now seems inevitable that the majority of the funding will not be claimed and will need to be reallocated. This funding is not yet included in the 'unallocated' amount shown in Table 4 above as it has not yet been finalised.

Guildford Sustainable Movement Corridor (SMC)

- 4.2. At its meeting in May, PMG agreed to increase the funding allocation to the **Sustainable Movement Corridor (SMC)** scheme by £553,000 to enable the proposed scheme to be delivered in full. The additional costs were largely due to market differences in the time between preparation of the Business Case and the works being procured.
- 4.3. This means that the LEP has agreed an allocation of Local Growth Funding of £2,725,000 towards the total scheme cost of £4,235,000.
- 4.4. The LEP remains able and willing to fund the revised scheme but there are currently issues with the delivery of the Tesco Roundabout signalisation element of the scheme, meaning that it might not be able to proceed whilst meeting our funding requirements. The SMC consists of 4 distinct phases:
- Phase 1 (Bannisters Field pedestrian and cycle route)
 - Phase 2a (Egerton Road to University and Town Centre pedestrian and cycle improvements)
 - Phase 2b (Guildford Park Road pedestrian and bus improvements)
 - Phase 3 (Tesco Roundabout signalisation)
- 4.5. Phases 1 and 2a have already been completed, Phase 2b is shortly to commence delivery but Phase 3, the signalisation of Tesco Roundabout, has not yet commenced.
- 4.6. Guildford Borough Council has been leading the design and procurement of the scheme, but as it involves work on the public highway they need to secure Technical Approval from Surrey County Council for the works. Having fully reviewed the design of the scheme, Surrey County Council have raised concerns about the benefits of the scheme when delivered without further works along Gill Avenue and as yet have therefore been unable to approve the works in isolation. The two authorities are meeting shortly before PMG to make a final decision and Surrey County Council are looking at options for delivering the Tesco Roundabout and Gill Avenue enhancements as a single scheme. However, if they are unable to do so then the Tesco Roundabout element of the scheme is not currently able to proceed.
- 4.7. Whilst the LEP is unlikely to be able to provide additional funding for the Tesco Roundabout and Gill Avenue schemes we would be able to continue to commit the existing funding to the scheme. However, if this proves not to be achievable then PMG will need to make a decision about the funding allocation, so that some or all of the funding can be reallocated elsewhere if necessary.
- 4.8. Whilst the Tesco Roundabout is the largest part of the existing scheme, costing approximately £3.2m, the other elements, costing approximately £1m, are not directly affected and are still able to be delivered and their benefits realised in full. The LEP funding for SMC was awarded on the

basis that the full scheme would be delivered, but given that the benefits of Phases 1, 2a and 2b can still be realised in their own right, it is recommended that the LEP should continue to contribute to these phases. However, it is further recommended that the LEP not meet any of the sunk costs in relation to the development of Phase 3 to date.

5. Guildford Borough Council are producing a breakdown of the costs associated with each element, but it is suggested that the broad principle can be agreed that, if the Tesco Roundabout signalisation cannot proceed, then our grant for the phases that are proceeding would be in the same proportion as it would have been for the full scheme, which is approximately 64.3%. (i.e. £2,725,000 of £4,235,000.) Unless Surrey County Council is able to commit to delivering the Tesco Roundabout and Gill Avenue works and spend the LEP contribution in this financial year, then based on the figures provided in May, it is estimated that the total LGF allocation to the SMC scheme would be reduced to £650,000, meaning that just over £2m would be available to reallocate elsewhere.

6. Recommendation

6.1. It is therefore RECOMMENDED that:

- PMG agree to continue to support the delivery of Phases 1, Phase 2a and Phase 2b of the Sustainable Movement Corridor in the same proportion as the LEP funding allocated to the full package.
- PMG agree to support the delivery of Phase 3 of the Sustainable Movement Corridor as part of the wider Gill Avenue scheme, if it goes ahead, but that if that cannot be progressed then the funding associated with this element be reallocated to other projects.

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