

Hertfordshire Local Enterprise Partnership

Herts LEP Update to Local Transport Body

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Purpose of Report

To inform the Local Transport Body regarding the LEP's strategic infrastructure and regeneration activities, and to provide an update on strategic issues in general as they relate to the LEP. The report is arranged in 2 sections:

1. Project Updates – setting out issues and information on current key projects
2. Strategic Issues – providing an update on wider issues relevant to the LEP

Please note that the major highways projects will be explained in more detail in Richard Boutal's report.

Project Updates

Metropolitan Line Extension (LEP0005)

Transport for London (TfL) has indicated that an additional £70m+ is required in order to meet predicted cost overspend. They have stated that they will not make up this overspend, despite the original funding agreement stating that they would, and that they are looking to local partners (DfT, HCC, WBC and LEP) to meet this cost.

There has been considerable lobbying by local MPs, HCC, WBC and the LEP to secure this shortfall. At the government's suggestion, just before Christmas HCC submitted an application to the Homes & Communities Agency (HCA) under their Housing Infrastructure Fund for the shortfall of £70m+.

We understand that the government is sympathetic to the application, with funding potentially channeled through DfT, but any further shortfall in addition to the £70m+ would have to be picked up by TfL. We believe that TfL has rejected this proposal but discussions are progressing.

| Project Summary | | | |
|-----------------------|---------------------------|------------------------------|--|
| Applicant | Transport for London | Total LEP investment | £87,550,000 |
| Location | South West Herts, Watford | Current FY Investment | Profile: £20,030,000 Expected £0 |
| Funding Source | DfT & SLGF | Capital/Revenue | Capital |
| Project Status | Full Board Approval | | |

Maylands Growth Corridor Study (LEP0022)

The Maylands Growth Study is now completed. The final document in the suite of reports is the Investment Prospectus. This sets out the context, the case for investment, how the study was developed (including the documents making up the entire study) and the proposals. The prospectus also identifies the way ahead and broad next steps.

There are 8 proposed interventions, each consisting of a number of sub-projects. The largest project is the proposed re-building/expansion of M1 J8 however it is important that the interventions need to be considered collectively rather than in isolation.

The Investment Prospectus is being considered by the Enterprise Zone Board at its meeting on 9th February.

A copy of the Investment Prospectus and accompanying documents will be available once it is signed off.

| Project Summary | | | |
|------------------------|---------------------|------------------------------|----------|
| Applicant | Herts LEP | Total LEP investment | £300,000 |
| Location | Maylands | Current FY Investment | £6,603 |
| Funding Source | Growing Places Fund | Capital/Revenue | Revenue |
| Project Status | Full Approval | | |

A120 - Little Hadham Bypass and Floor Alleviation Scheme (LEP0053)

HCC Highways Major Projects team have now started the procurement process for the A120 by publishing a Prior Information Notice (PIN) in the supplement of the Official Journal of the European Union (OJEU). The PIN provides contractors with awareness that HCC is proposing to begin the first stage of the formal procurement process by issuing an OJEU notice in mid-January.

Subject to the outcome of the potential Local Public Inquiry for the Compulsory Purchase Orders (CPO's) and Side Roads Order (SRO) they then expect to issue full tenders to the shortlist in summer 2018 and subsequently appoint a contractor in late 2018.

HCC are still awaiting confirmation of a date for a Local Public Inquiry for the CPO's and SRO, and should it be required, it is likely to take place in April or May 2018. At this point four of the nine original objections have been formally withdrawn.

Cost pressures

A number of realised and forecast cost pressures have been identified for the project. These pressures largely result from:

- Additional complexity of the interaction between the highway and Flood Storage Areas, particularly in the structural design of these elements.
- Geotechnical investigation resulting in ground conditions being worse than anticipated leading to additional estimated construction costs.
- Increased mitigation requirements to address environmental issues and planning conditions and to accommodate changes in specific guidance related to protected species
- Programme prolongation associated with the above environmental and planning requirements
- Design and development fees associated with programme prolongation.
- Increased land agent activity in negotiation.
- The scheme construction inflation estimate has been increased from 3% to 4% based on current market trends.

A strategy to address the cost pressures on the project has been developed involving the following actions:

- HCC have worked closely with the Environment Agency in reviewing and analysing the cost forecasts and the as a result EA have sought and received approval from DEFRA and the Regional Flood and Coastal Committee to increase their financial contribution to the scheme to £3.2m. This was the maximum amount they could bid within EA guidelines and it is currently being internally reviewed for final approval.
- HCC has been able to direct £2.47m from National Infrastructure Productivity Funding to the development of the scheme. As a result HCC no longer requires the loan from the LEP approved for

2018/19 and it will also repay the LEP £1.665m used for scheme development next financial year. HCC has also identified that the scheme currently includes some elements that can be funded from planned maintenance budgets and as such has put forward a further internal bid for £428K

Taking into account the above an overall shortfall in funding for the scheme of approximately £4.9m remains. The estimate currently allocates a 20% risk allowance on the construction cost which is considered appropriate for this stage of the project. The shortfall in funding is broadly equivalent to the risk allocation that remains for the project moving forward.

There is a requirement for the project to demonstrate at PI that it is deliverable, which includes a need to broadly set out how the cost of the project will be funded. Therefore at this stage, as the final part of the strategy to address cost pressures, HCC is seeking additional funds to effectively underwrite a sum equivalent to the identified risk elements of the project, thereby completing the indicative funding package for the project. The additional funding is being sought by requests to HCC (via the HCC capital bidding process) and to the LEP.

At this stage, HCC is seeking a 'letter of comfort' from the LEP to underwrite (in principle) approximately half of the identified cost pressure. As the costs are an estimate at this stage the scheme construction costs will not be fully understood until final tenders are received in summer 2018. Once tenders are returned and validated, HCC will formally report to the LEP board with a revised cost estimate including the actual tender cost, together with a formal request for the additional funding contribution.

SIB has been asked to consider and comment on the request for a letter of comfort.

| Project Summary | | | |
|-----------------------|--|------------------------------|-----------------------------------|
| Applicant | Hertfordshire County Council | Total LEP investment | £27,400,000 |
| Location | A120 Little Hadham Bypass and Flood Alleviation Scheme | Current FY Investment | Profile: £715,000 Expected: £0 |
| Funding Source | SLGF & DfT | Capital/Revenue | Capital |
| Project Status | Approved – On going | | |

A602 Improvements (LEP0026)

We understand from HCC Highways Major Project team that the A602 road improvements scheme is progressing satisfactorily. No substantive issues have been reported and the overall programme remains on track.

| Project Summary | | | |
|-----------------------|---------------------|------------------------------|--|
| Applicant | HCC | Total LEP investment | £18,490,000 |
| Location | Stevenage - Ware | Current FY Investment | Profiled: £6,460,000 Expected: £4,956,000 |
| Funding Source | SLGF | Capital/Revenue | Capital |
| Project Status | Approved - On going | | |

Essex Road (LEP0077)

Although the project was approved in outline when the original GD3 programme was submitted to Government, the project still needs to be approved in detail by the LEP. A formal application for funding has been submitted by HCC Highways Major Projects team which sets out in detail funding, match funding and projected outputs. The application is being appraised on 26th January 2018.

| Project Summary | | | |
|-----------------------|------------------------------|--|------------|
| Applicant | Hertfordshire County Council | Total requested LEP investment | £6,500,000 |
| Location | Hoddesdon | Current requested FY Investment | £374,000 |
| Funding Source | SLGF Round 3 | Capital/Revenue | Capital |
| Project Status | Application awaited | | |

A10 Buntingford Roundabout (LEP0076)

Although the project was approved in outline when the original GD3 programme was submitted to Government, the project still needs to be approved in detail by the LEP. A formal application for funding has been submitted by HCC Highways Major Projects team which sets out in detail funding, match funding and projected outputs. The application is being appraised on 26th January 2018.

| Project Summary | | | |
|-----------------------|------------------------------|--|------------|
| Applicant | Hertfordshire County Council | Total requested LEP investment | £1,463,500 |
| Location | Buntingford | Current requested FY Investment | £0 |
| Funding Source | SLGF Round 3 | Capital/Revenue | Capital |
| Project Status | Application awaited | | |

Hatfield MSCP and Public Realm Improvements (LEP0089)

This project consists of two elements:

- Unlocking four residential development sites in Hatfield to create 240 new homes. The catalyst to unlocking these sites will be the construction of a multi storey car park (MSCP) on The Common site in Hatfield town centre which will consolidate existing surface level car parks into one location
- Significant works to the public realm in the town centre are proposed to enhance the town centre as a whole and make it more attractive to residents, businesses and visitors.

The project was approved by the LEP Board in November and HCC Commercial Legal Group have been instructed. WHC are pressing ahead with detailed design work preparatory to working up a planning application for the MSCP.

| Project Summary | | | |
|-----------------------|-------------------------|--|------------|
| Applicant | Welwyn Hatfield Council | Total requested LEP investment | £6,000,000 |
| Location | Hatfield | Current requested FY Investment | £0 |
| Funding Source | SLGF Round 2 | Capital/Revenue | Capital |
| Project Status | Approved - On going | | |

Stevenage Package

There are three projects under the GD1 Stevenage Package of projects:

- SG1 Land Assembly
- SG1 Public Realm
- Theatre Relocation

These projects have been approved and will shortly be under contract. All three projects relate to the wider procurement and appointment of a developer for the SG1 Programme which is the £330k first phase of development for Stevenage town centre. Four developers have been shortlisted, with SBC planning to appoint in the next few weeks.

Spend this FY had been anticipated at £230k but SBC have offered to bring forward the acquisition element of their programme to increase spend to some £4.4m this FY.

There are five projects under the GD3 package:

- Bus/transport Interchange Relocation
- Magistrates' Court Land Assembly
- Parking Deck
- Marshgate Land Assembly
- Highway Infrastructure At-Grade Crossings

One of the conditions of funding these projects under GD3 was that an independent body with an independent chair would be set up in Stevenage to oversee and approve them. We are awaiting a decision from BEIS on how they wish to take this body forward including recruiting the chair. We have written to BEIS on a number of occasions and the issue was raised (and minuted) at the Annual Conversation.

Stevenage SG1 Developer Appointment

We understand that SBC will be announcing their preferred developer for the SG1 Scheme very shortly. This £350m scheme will incorporate two of the six major improvement areas identified in the Stevenage Town Centre regeneration Framework. It will also set the tone and standard for subsequent phases of development.

Although SG1 does not specifically include redevelopment of the station, it is likely to bring the pressing need for a new station into sharper focus.

Stevenage Local Plan update

The Secretary of State for Communities & Local Government, Sajid Javid, wrote to Stevenage Council on 13th November stating that he had received a request to intervene in the Local Plan by MP for Stevenage, Stephen McPartland. The request raised a number of issues including Plan policies and supporting text covering the regeneration of Stevenage train station and town centre.

Mr Javid has issued SBC a holding direction unless or until the issues raised can be resolved. There is no time limit to the direction but, in reality, we expect that DCLG will wish to resolve the issues as soon as they can.

It should be noted that there are potential implications for East Herts and North Herts should the direction be upheld or extended. Together with the St Albans Local Plan being knocked back this could cast doubt on the delivery of some 40,000 new homes. HIPP has written in support of SBC.

Open Bidding Call and Project Pipeline

The LEP is holding an open call for capital grant funding to deliver economic development projects in the county. The reason for an open call is to allocate some £12.5m from the evergreen infrastructure fund which was originally designed to provide loan funding. As the LEP is currently unable to offer growth deal funding as a loan we have decided to offer grant funding instead. The deadline for expressions of interest was 12.00 noon on Monday 18th December 2017. Details are available at: <https://www.hertfordshirelep.com/news-events/news/open-call-for-125m-funding/>

We received 20 applications by the deadline totaling some £76m with match-funding of £237m. The projects are being appraised on the 16th and 17th January. It is expected that some will be ineligible so will be rejected outright. The remainder will be scored and those that score above an agreed threshold will go forward. Those that are below the threshold may be considered for future bidding rounds if, for instance, they can be developed further, or are suitable for improvement.

Depending on the outcome of this Open Call the LEP may well hold open calls for future funding.

Strategic Issues

East of England Sub-National Transport Body

A summit was held on the 21st December to propose setting up an East of England Sub-National Transport Body (STB).

A number of STBs have already been created, namely: Transport for the North (covering the north-west), Transport for the south-East (southern Home Counties and south coast), and closer to home Midlands Connect (west and east Midlands) and England's Economic Heartland (northern Home Counties plus southern midlands).

The purpose of an STB is to provide a forum in which strategic transport issues and proposals can be addressed. The constitution and powers of each STB is different with some assuming a high profile role linked to significant budget spend. Hertfordshire partners are deciding if they should join the East of England STB, England's Economic Heartland, both or neither.

Offsite Manufacturing/MMC

Following the conference in October there were three substantive actions:

1. Explore the potential for an offsite fabrication hub in Hertfordshire – see comments below
2. Define the specific role (potentially a pioneering one) in MMC delivery in the county for one or more of the county's Housing Associations, and promote a pilot MMC housing development project in the county – this is being taken forward by a consortium of Hertfordshire housing associations
3. Ensure that emerging MMC/Offsite operations are provided with the local skills required at the right time – the LEP is working with the four local colleges and other FE providers to ensure they are geared up to exploiting offsite manufacturing skills opportunities

The LEP has commissioned CIVIX to carry out a feasibility study to look at the requirements for an offsite manufacturing facility in the county, together with potential sites. This includes looking at the opportunities provided by the Enterprise Zone in Hemel as well as other large sites with similar potential. The report will be available in early March.

Bishop's Stortford Transport Strategy

Last year EHDC appointed Aecom to develop a transport strategy for Bishop's Stortford as part of the wider regeneration programme being developed for the town. Aecom recently developed a similar strategy for Hatfield which has been well received.

The Bishops Stortford transport strategy is well developed and should be available as a draft report towards the end of January.

NIC – OxCam Growth Corridor

The National Infrastructure Commission (NIC) has published its proposals for the Cambridge-Milton Keynes-Oxford Arc.

There are nine main findings of the NIC under three broad headings:

1. East-West Infrastructure Enabling New Developments
2. Equipping Local Areas with the Tools to Deliver Growth
3. A Long Term Vision for the Arc and its Sub-Regions

A copy of the report is available from: <https://www.nic.org.uk/wp-content/uploads/Partnering-for-Prosperty.pdf>

There are a number of basic questions for Hertfordshire:

- What are the implications for Hertfordshire (economic, transport, housing, skills and social)?
- Is Hertfordshire included in the corridor/arc?
- What will be the impact on the county, positive and negative?
- What is the county's response to the Arc?
- What governance is needed or in place to manage the arc process, and will Herts be included in the governance structure?
- What are the resourcing implications?

To date the county's relationship has been one of monitoring its progress but this may change as other discussions about growth take place through HIPP etc.

South-East Local Energy Hub

The Dept for Business, Energy and Industrial Strategy (BEIS) has invited to resource LEPs and local authorities to "play a leading role in delivering low-carbon economic growth."

Various LEPs from the east and south-east have agreed to co-ordinate resources and submit a joint proposal to BEIS. If approved it is likely that the consortium will be led by GCGP LEP since they have more expertise than most in this area.

Recommendation:

Action for LTB

LTB is asked to note this paper