



Meeting: **Cabinet**

Date/Time: **Tuesday, 12 December 2017 at 2.00 pm**

Location: **Sparkenhoe Committee Room, County Hall, Glenfield**

Contact: **Ms. J. Bailey (Tel. 0116 305 6225)**

Email: **jenny.bailey@leics.gov.uk**

Membership

Mr. N. J. Rushton CC (Chairman)

Mr. R. Blunt CC Mr. J. B. Rhodes CC
Mr. I. D. Ould CC Mr. R. J. Shepherd CC
Mr. B. L. Pain CC Mr. E. F. White CC
Mrs. P. Posnett CC

SUPPLEMENTARY REPORT

<u>Item</u>	<u>Report by</u>	
5. Melton Mowbray Distributor Road Proposals.	Director of Environment and Transport and Director of Finance	(Pages 3 - 12)



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CABINET – 12 DECEMBER 2017

MELTON MOWBRAY DISTRIBUTOR ROAD PROPOSALS

**SUPPLEMENTARY REPORT OF THE DIRECTOR OF ENVIRONMENT
AND TRANSPORT AND DIRECTOR OF FINANCE**

Purpose of the Report

1. The purpose of this supplementary report is to advise the Cabinet of consideration of the financing agreement for the Melton Mowbray Distributor Road (MMDR) by Melton Borough Council's Policy, Finance and Administration Committee, and present the Heads of Terms (appended to this report). The Cabinet is asked to agree the revised recommendations and reasons for those recommendations which are set out in paragraphs 8 and 9 below.
2. This report also advises members of comments of the Environment and Transport Overview and Scrutiny Committee arising from its consideration of a report on the proposed MMDR.

Environment and Transport Overview and Scrutiny Committee

3. The Committee at its meeting on 7 December 2017 considered a report of the Director of Environment and Transport concerning the Melton Mowbray Distributor Road Proposals. Arising from discussion, the following points were raised:-
 - i) That the eastern route had been chosen rather than the western route as it was more economically viable being shorter and requiring less additional structures to be built along the route.
 - ii) Extensive community engagement had been carried out throughout the initial planning stage; this would be ongoing throughout the project. To date, there has been good support for the proposed route;
 - iii) The distributor road would be a single carriageway, at 7.3 meters wide, which was standard width for a distributor road. A dual carriageway construction was not appropriate at this time and another consideration was that this would pass through or adjacent to new housing developments. Members were assured that the distributor road would present a quick and efficient route around Melton Mowbray, due to the speed limits of up to 40 miles per hour on the northern stretch and 60

miles per hour on the eastern stretch. Plans for the distributor road would include cycle routes and footpaths;

- iv) The funding bid to the Department for Transport (DfT) included the northern and eastern section only. It was expected that construction of the southern section would be funded by developers as considerable development was planned for the southern side of Melton Mowbray as part of the Local Plan;
 - v) Members were assured that modelling work for the distributor road had considered the wider impacts of the road construction on traffic in and around Melton. Results showed that without construction of the northern/eastern section of the road, more traffic would be directed onto Welby Road and other roads around the town. The Transport Strategy for Melton Mowbray also included consideration of the wider transport issues such as walking and cycling, junction improvements, public realm and public transport.
 - vi) The total cost of the road was estimated at £74m. £55m would be sought from the DfT, and the remaining £19m would need to be funded from other sources. Most of the £19m would be recouped from developer contributions, but it was anticipated that there may be a shortfall. Officers of the County Council and Melton Borough Council had drafted an agreement which would enable any funding gap to be met by a combination of additional funding and revenue that the Borough Council would receive from housing developments and economic growth and County Council funds. This agreement was due to be considered by Melton Borough Council's Policy, Finance and Administration Committee on 7 December 2017. Members of the Committee commented that it was important that Melton Borough Council approved the funding agreement in order for the County Council to be in a position to submit a bid to the DfT.
4. The Committee resolved that the Cabinet be advised that it supported the submission of a bid to the DfT for funding of the Melton Mowbray Distributor Road subject to the approval by Melton Borough Council of the proposed funding agreement.

Melton Borough Council - Policy, Finance and Administration Committee

- 5. Melton Borough Council's Policy, Finance and Administration Committee considered a report at its meeting on 7 December 2017 regarding the submission of the Outline Business Case for the MMDR and discussions that had taken place with the County Council regarding sharing the burden of funding that would not be met from external sources.
- 6. The Committee agreed to financially support any unfunded element of the cost of the construction and delivery of the MMDR through a combination of New Homes Bonus, Business Rates and Council Tax as appropriate that was generated through the delivery of the road and to delegate authority to the

Chief Executive in consultation with the Corporate Director and Solicitor to the Council to develop the associated legal agreement with the County Council for submission to Melton Borough Council for final approval.

Heads of Terms for Financing the Melton Mowbray Distributor Road

7. The Heads of Terms have been drafted jointly by officers from the County Council and Melton Borough Council and set out the basis for a formal agreement between the two authorities. These are appended to this report.

Revisions to the Cabinet Report

8. The revised recommendations will be set out in the Order Paper for the Cabinet meeting. Changes to the original text are indicated below -
- (a) The responses to the consultation and evidence from the further work undertaken to develop the Outline Business Case for the northern and eastern sections of the Melton Mowbray Distributor Road (MMDR) be noted;
 - (b) The Cabinet reaffirms its decision to prioritise and progress the development of the northern and eastern sections of the MMDR;
 - (c) The route for the northern and eastern sections of the MMDR, as illustrated on the plan at paragraph 75 to this report, be agreed for the purposes of further development and consultation subject to ~~(ed)~~ and ~~(fe)~~ below;
 - (d) That the decision of Melton Borough Council's Policy Finance and Administration Committee agreeing to proceed with the funding arrangements for the MMDR as set out in the Heads of Terms be noted;**
 - (e) That the basis for the agreement regarding the future funding of the northern and eastern MMDR as set out in the Heads of Terms be supported and that the Director of Finance in consultation with the Director of Law and Governance, following consultation with the Cabinet lead member for Resources be authorised to record the agreement by an exchange of letters with Melton Borough Council;**
 - ~~(fe) Subject to agreement with Melton Borough Council before 22 December 2017 (the date for submission of the Outline Business Case to the Department for Transport) in the form of a Memorandum of Understanding regarding the future financing of the development and delivery of the northern and eastern MMDR,~~ **That subject to an exchange of letters with Melton Borough Council before 22 December 2017** further funding be committed by the County Council in order to -

- (i) Submit a planning application for the scheme in summer 2018 (including detailed design, environmental work, consultation, and preparation of statutory orders),
- (ii) Complete all further work necessary to prepare the scheme for construction by spring 2020 (noting this is subject to DfT funding and full completion of all necessary processes),
- (iii) Provide, in negotiation with the DfT, an appropriate local contribution, including underwriting forward-funding contributions to be provided by developers and/or third parties as necessary,

- noting that there could be additional scheme costs following submission of the outline business case and the Heads of Terms with Melton Borough Council will address how this will be financed;

- (ge) Pursuant to the above, that the officers identified below be authorised, in consultation with the Director of Law and Governance and following consultation with the relevant Cabinet Lead Members, to
 - (i) Continue discussions with landowners and stakeholders, with a view to reaching voluntary agreement over the purchase and/or reservation of land for the northern and eastern sections of the MMDR where possible - *Director of Environment and Transport*;
 - (ii) Undertake to acquire by agreement necessary land (and) rights to facilitate delivery of the northern and eastern sections of the MMDR and make preparations in parallel for use of Compulsory Purchase Orders pursuant to the Highways Act 1980 and the Acquisition of Land Act 1981, taking all steps to include the preparation of Draft Order and Statement of Reasons - *Director of Environment and Transport and Director of Corporate Resources*;
 - (iii) Undertake further engagement and consultation arising from any changes or improvements to the recommended route that may arise from detailed design work and feedback - *Director of Environment and Transport*;
 - (iv) Agree the preferred route for planning and acquisition purposes - *Director of Environment and Transport*;
- (he) Subject to agreement with Melton Borough Council regarding future financing as set out above, the Chief Executive be authorised to approve and submit the Outline Business Case for the northern and eastern sections of the MMDR to the DfT as part of the bid for Large Local Majors Funding;

- (i) **That it be noted that assuming DfT funding for the MMDR is forthcoming, a further report will be submitted to the Cabinet regarding the detailed funding agreement between the County Council and Melton Borough Council;**
- (j) A further report be submitted to the Cabinet prior to submission of a planning application to include, amongst other things -
- (i) Any alterations made to the recommended route as a result of detailed design work or further consultation;
 - (ii) The detailed design and updated cost estimates for the scheme which will form the basis for the planning application;
 - (iii) Requests for approval to make and implement any required Compulsory Purchase Orders and associated statutory orders.
9. Paragraphs 4 to 7 of the main Cabinet report comprise the reasons for the recommendations. It is proposed that an additional paragraph is added, to the effect that -
- “The Heads of Terms set out the basis for a financial agreement between the County Council and Melton Borough Council, and will need to be refined further to enable the OBC to be submitted to the DfT by 22 December 2017. It is considered appropriate that the final detailed funding agreement should be submitted to the Cabinet for approval.”
10. The Director of Law and Governance has been consulted on this report.

Background Papers

Reports to Melton Borough Council’s Policy, Finance and Administration Committee (7 December 2017) -
<https://democracy.melton.gov.uk/ieListDocuments.aspx?CId=140&MId=787&Ver=4>

Appendix

Financing the Melton Distributor Road Heads of Terms (6th December 2017)

Officers to contact

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 Director, Environment and Transport
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Financing the Melton Distributor Road

Heads of Terms

6th December 2017

Introduction

In support of Melton's Local Plan Leicestershire County Council (LCC) and Melton Borough Council (MBC) have a shared aim to build a new distributor road to the north and east of Melton Mowbray as part of the wider transport strategy for the town (the Melton Transport Strategy). Significant funding for the road will be sought from the DfT.

The scheme is anticipated to cost in the region of £74m (including £4m scheme development costs), based on the work completed to date. The local contribution would need to be c£19m (including scheme development costs) and c£55m will be sought from the DfT. Given the tight finances both organisations are facing the aim is that after development costs, the road will be fully funded from a combination of external contributions, developer contributions and tax increment financing (TIF). The preference would be for the first two sources to fully fund the road.

This funding mechanism will mean that both organisations anticipate that they will end up in a broadly neutral financial position as new NHB, council tax and business rate income generated by the residential and commercial development that the road unlocks will be used to reimburse LCC funds being provided. It is accepted that without the road, the development would be far more challenging, and therefore this income very unlikely to be generated.

The road is integral to the successful delivery of the Melton Local Plan and the associated housing growth.

Principles of a Financial Arrangement

LCC and MBC agree to;

- Actively seek contributions from other sources such as the business rate pool, business rate pilot (if successful) and other government funding streams to fund the new road.
- Ensure developer funding from proposed developments in Melton Borough (in particular the development in the North of Melton Mowbray and CIL) is provided for the road. In addition, take steps, where appropriate, to ensure any additional homes (not in the draft local plan) built as a result of the new

road generate similar levels of developer funding for the Melton Transport Strategy. While it is anticipated that the bulk, if not all, of the required local or “gap” funding could come via developer contributions, it is also accepted that developer contributions will also be required to fund other infrastructure e.g. schools, open space, affordable housing etc.

- Allocate growth in NHB, Business Rates and a proportion of Council Tax arising as a result of the new road. Both authorities will agree a baseline of local tax resources upon which contributions will be based. The baseline will be constructed in such a way so as to reduce the volatility of core funding from these sources and provide a ‘floor’ level of resources as far as is possible.
- Interest will be charged on the loan or any overpayment at a rate that would put LCC or MBC in a no worse off position. At the current time this would equate to interest income that would be earned on cash balances.
- Both authorities will share oversight through appropriate governance mechanisms.

Risk Share

Subject to a successful bid to the DfT Large Local Majors fund LCC will fully fund the scheme costs up front and will only seek repayment once the tax increment financing and developer contributions materialise,

To ensure the scheme is ‘shovel ready’ it is acknowledged that the County Council will need to spend up to £4m (included in the £74m estimate above) in advance of knowing the outcome of the competitive bid process. If the bid is unsuccessful this time around LCC will bear the full risk (subject the Decision Making section below). However, if successful in a later bidding round the scheme outlined above will operate.

The agreement relates to the total cost of the scheme from January 2018. It is noted that although significant work has been undertaken the scheme is at an early stage and costs are likely to change.

Review

The agreement will last until the cost of the distributor road is repaid.

A review of the agreement could be triggered if;

- There is a fundamental change in the cost of the scheme, defined as a change in costs of + or – 15%.
- There are significant changes by government to grant funding, developer contributions, business rates, council tax or NHB regulations/provisions or as a result of significant changes to the viability of the development leading to reduced developer contributions being available.
- The initial bid to the DfT is unsuccessful and a second bid is considered.
- Delays arise in the development providing developer contributions

Decision Making

MBC will positively and proactively deliver the housing requirements of the local Plan by determining planning applications in accordance with the Plan's policies taking account the Highways representations of LCC.. Both MBC and LCC will work proactively with applicants to secure developments and that those developments make an appropriate contribution to the distributor road. Both MBC and LCC acknowledge that failure to meet this requirement would result in both parties sharing the up to £4m at risk investment required to ensure the scheme is shovel ready.

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