



Meeting: **Cabinet**

Date/Time: **Tuesday, 20 July 2021 at 2.00 pm**

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

Contact: **Ms. J. Bailey (Tel. 0116 305 2583)**

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Membership

Mr. N. J. Rushton CC (Chairman)

Mr. B. L. Pain CC	Mrs H. L. Richardson CC
Mrs D. Taylor CC	Mrs. P. Posnett MBE CC
Mrs. C. M. Radford CC	Mr. R. J. Shepherd CC
Mr. O. O'Shea JP CC	Mr. P. Bedford CC
Mr. L. Breckon JP CC	

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SUPPLEMENTARY REPORT

<u>Item</u>	<u>Report by</u>	
9. Melton Mowbray Distributor Road Southern Section - Housing Infrastructure Fund Grant.	Chief Executive, Director of Corporate Resources, and Director of Law and Governance	(Pages 3 - 8)



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CABINET – 20 JULY 2021

**MELTON MOWBRAY DISTRIBUTOR ROAD SOUTHERN SECTION –
HOUSING INFRASTRUCTURE FUND GRANT**

**SUPPLEMENTARY REPORT OF THE CHIEF EXECUTIVE,
DIRECTOR OF CORPORATE RESOURCES AND DIRECTOR OF
LAW AND GOVERNANCE**

PART A

Purpose of the Report

1. The purpose of the report is to advise the Cabinet that a recommendation can now be made for the County Council to accept conditionally the Housing Infrastructure Fund (HIF) grant offered by Homes England (HE) in respect of the southern leg of the Melton Mowbray Distributor Road (MMDR).

Recommendations

2. That:
 - (a) The County Council welcomes the indication from the Leader of Melton Borough Council:
 - (i) that, in regard to the provision of infrastructure, his Council will increase its cap to £1.75million in an agreement between the two Councils for Melton Borough Council to mitigate the financial risk to the County Council; and
 - (ii) that he will arrange for his Council to approve as soon as possible and by the end of 2021 a Developer Contributions Supplementary Planning Document (SPD), a replacement masterplan for the South Sustainable Neighbourhood, and a new masterplan for the North Sustainable Neighbourhood;
 - (b) In respect of the SPD, the County Council notes that the draft document on which consultation will follow prioritises contributions towards transport and education infrastructure, which the County Council will expect to see in a final version;
 - (c) In respect of the South Sustainable Neighbourhood masterplan, the County Council notes that following concerns about viability, it

commissioned consultants to produce an updated masterplan, which now requires to be completed;

- (d) In respect of the North Sustainable Neighbourhood masterplan, the County Council notes that its objections to an earlier draft have been incorporated in a revision which now requires to be shared and the work concluded;
- (e) Accordingly, subject to:
 - (i) assurances from Melton Borough Council in regard to an increase in the cap to £1.75million in an agreement between the two councils for the Borough Council to mitigate the financial risk to the County Council, in regard to approval of the SPD and masterplans for the South and North Sustainable Neighbourhoods to the satisfaction of the County Council; and
 - (ii) the provision of current information to Homes England on the estimated costs of the southern leg and further dialogue between the Director of Law and Governance and Homes England to reach an agreement on the terms of the Grant Determination Agreement,

the County Council will be in a position to accept conditionally the Housing Infrastructure Fund grant for the southern leg of the Melton Mowbray Distributor Road by decision of Cabinet at its meeting on 17th September 2021.

Reason for Recommendations

- 3. To agree a position to be adopted by the County Council.

Timetable for Decisions (including Scrutiny)

- 4. The extended deadline set by HE of 31 March 2021 has passed but it was agreed with the Ministry of Housing, Communities and Local Government (MHCLG) and HE that discussions would continue.

Policy Framework and Previous Decisions

- 5. In November 2019 the Cabinet was advised of a successful HIF bid of £15m for the southern leg of the MMDR.
- 6. In March 2020 the Cabinet considered a report on Melton Borough Council's master planning for the Melton South Sustainable Neighbourhood (MSSN). This detailed possible implications for the County Council, including financial risk connected to the acceptance of the grant offer from HE towards the cost of the southern leg of the MMDR.
- 7. In June 2020 the Cabinet considered a report on the latest position with regard to the HIF grant offer and the decision by Melton BC to approve a

masterplan for the MSSN. The Cabinet raised a number of concerns, most notably that the masterplan did not demonstrate the financial viability of the MSSN. The Cabinet also noted that the masterplan was approved despite it containing unresolved errors and inaccuracies which had been raised by the County Council.

8. In December 2020 the Cabinet was advised of work led by the County Council in collaboration with landowners and developers, which showed the MSSN was capable of being financially viable. That was dependent on the previously approved masterplan for the MSSN being revised. The Cabinet resolved inter alia that, subject to an agreement with Melton BC on mitigating the financial risk to the County Council and to the completion of other necessary agreements, authority could be given for the County Council to enter into a Grant Determination Agreement (GDA) with HE in respect of the HIF grant. The Cabinet also noted that Melton BC was seeking to cap any agreement at an amount which was inadequate.
9. A report to the Cabinet at its meeting on 22 June 2021 was withdrawn from the agenda.

Resource Implications

10. The current budget provision for the southern leg of the MMDR within the Medium Term Financial Strategy is £35m, of which £15m would be funded from HIF grant and £20m from developer contributions. A combination of a later start date, higher commodity prices (and a shortage of supply) and a more difficult market for construction projects is likely to mean that costs will increase. An independent assessment of the current estimated cost range is being provided to Homes England regarding the level of grant which is offered.
11. The MSSN development also requires education provision including new secondary and primary schools at an anticipated cost of £35m. This is intended to be funded from developer contributions. The increased support from Melton BC is welcome as it partially de risks these contributions both in terms of bridging any future funding shortfall and ensuring that Melton BC remain focused on ensuring the contributions are received.
12. Schools and the road will also need to be forward funded by the County Council given that construction will need to take place prior to the receipt of all developer contributions.
13. As with any major scheme significant risks remain. The road scheme is at a relatively early stage in its development and the construction of the schools could be some years in the future. The arrangement with Melton BC and Homes England seeks to reduce the funding risks. However, the usual risks around construction costs and securing developer funding remain. In addition, the escalating costs of an already expensive scheme reduce the funding available to support development elsewhere in the County, where costs are also escalating.

Circulation under the Local Issues Alert Procedure

This report has been circulated to members representing electoral divisions in the Melton area: Mr M Frisby CC, Mr B Lovegrove CC, Mr J Orson CC, Mrs P Posnett MBE CC.

Officers to Contact

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PART B

Background

14. Melton Mowbray is identified as a 'Key Centre for Regeneration and Growth' in the 2018 Leicester and Leicestershire Strategic Growth Plan. The Melton Local Plan (formally adopted in October 2018) and which the County Council supports sets out that the majority of the housing development for Melton will be delivered within two new large-scale sustainable neighbourhoods, south and north, known as the MSSN (Policy SS4) and the Melton North Sustainable Neighbourhood (MNSN) (Policy SS5). The MMDR has been seen as an orbital road which alongside a Melton Mowbray Transport Strategy (separate report on the agenda for this meeting) would facilitate the development of both sustainable neighbourhoods.
15. In successive Cabinet reports, however, it has been made clear that there would be a significant financial risk to the County Council, particularly in forward funding the high cost of the required infrastructure to ensure the success of the sustainable neighbourhoods as new communities.

Present Position

16. Recent discussions with Melton BC have led to the Borough Council significantly increasing its cap to £1.75 million in an agreement between the two councils to mitigate the financial risk to the County Council of funding the necessary infrastructure to support the development of the MSSN . In addition, Melton BC will take through its decision making processes with a view to early formal approval: an SPD, a replacement masterplan for the MSSN and a new masterplan for the MNSN, taking into account comments already made by the County Council.
17. Discussions continue with HE in regard to the funding of the southern leg of the MMDR – further cost information is being provided – and the requirements of the HE GDA, recognising that the County Council is not a local housing authority, not responsible for the delivery of housing outputs and cannot be liable if those outputs are not met by the local housing authority, Melton BC.
18. In light of the above, a recommendation to approve conditionally the acceptance by the County Council of the HIF grant can now be made.

Equalities and Human Rights Implications

19. The MMDRS was identified in the Melton Local Plan as essential for the delivery of the planned growth in the District. The Plan itself was subject to an Equality and Human Rights Impact Assessment. Any future scheme will be subject to further assessment in line with the County Council's policy and procedures.

Environmental Impact

20. An environmental impacts study was carried out as part of the HIF bid development process to inform the WebTAG assessment.
21. An environmental impact assessment (EIA) has been carried out in respect of the Northern and Eastern sections of the MMDR.

Background Papers

Report to the Cabinet – 22 November 2019 – Melton Mowbray Local Plan Delivery Partnership – HIF Bid Update

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5608&Ver=4>

Report to the Cabinet on 24 March 2020: Melton Mowbray Distributor Road -

<https://bit.ly/2zogPjT>

Report to the Cabinet on 23 June 2020: Melton Mowbray Distributor Road

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5996&Ver=4>

Report to the Cabinet on 20 November 2020: Melton North Sustainable Neighbourhood Draft Masterplan:

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5999&Ver=4>

Report to the Cabinet on 15 December 2020: Melton Mowbray Distributor Road (South) and Melton Northern Sustainable Neighbourhood Draft Masterplan:

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6000&Ver=4>

Report to the Cabinet on 22 June 2021:

<http://politics.leics.gov.uk/ieListDocuments.aspx?MId=6444>