Meeting: **Highways and Transport Overview and Scrutiny Committee.**

Date/Time: **Thursday, 3 November 2022 at 2.00 pm**

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

Contact: **Mr. E. Walters (0116 3052583)**

Email: **Euan.Walters@leics.gov.uk**

Membership

Mr. T. Gillard CC (Chairman)

Mr. R. G. Allen CC	Mr. B. Lovegrove CC
Mr. D. C. Bill MBE CC	Mr. K. Merrie MBE CC
Mrs. A. J. Hack CC	Mr. L. Phillimore CC

Please note: this meeting will be filmed for live or subsequent broadcast via the Council's web site at http://www.leicestershire.gov.uk

SUPPLEMENTARY AGENDA

Item		Report by	
8.	North and East Melton Mowbray Distributor Road - Update.	Director of Environment and Transport	(Pages 3 - 20)

QUESTIONING BY MEMBERS OF OVERVIEW AND SCRUTINY

The ability to ask good, pertinent questions lies at the heart of successful and effective scrutiny. To support members with this, a range of resources, including guides to questioning, are available via the Centre for Governance and Scrutiny website www.cfgs.org.uk. The following questions have been agreed by Scrutiny members as a good starting point for developing questions:

- Who was consulted and what were they consulted on? What is the process for and quality of the consultation?
- How have the voices of local people and frontline staff been heard?
- What does success look like?
- What is the history of the service and what will be different this time?
- What happens once the money is spent?
- If the service model is changing, has the previous service model been evaluated?
- What evaluation arrangements are in place – will there be an annual review?

Members are reminded that, to ensure questioning during meetings remains appropriately focused that:

(a) they can use the officer contact details at the bottom of each report to ask questions of clarification or raise any related patch issues which might not be best addressed through the formal meeting;

(b) they must speak only as a County Councillor and not on behalf of any other local authority when considering matters which also affect district or parish/town councils (see Articles 2.03(b) of the Council's Constitution).

Agenda Item 8

Leicestershire County Council

HIGHWAYS AND TRANSPORT OVERVIEW AND SCRUTINY COMMITTEE – 3 NOVEMBER 2022

SCRUTINY COMMISSION – 9 NOVEMBER 2022

NORTH AND EAST MELTON MOWBRAY DISTRIBUTOR ROAD – COST IMPLICATIONS

REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT

Purpose of the Report

1. The purpose of this report is to advise the Highways and Transport Overview and Scrutiny Committee and the Scrutiny Commission on the progress of the North and East Melton Mowbray Distributor Road (NE MMDR) scheme, including cost implications, and provide an opportunity for comment, prior to the Cabinet making a decision on whether to progress to delivery of the scheme on 16 December 2022.

Policy Framework and Previous Decisions

2. In May 2016 the Cabinet agreed the continuation of the development of the Melton Mowbray Transport Strategy (MMTS). It authorised the Director of Environment and Transport to undertake the necessary consultations and negotiations as required to enable the definition of a preferred route for the Eastern section of the MMDR.

3. Several reports have been submitted to the Cabinet since that time, seeking support for the various stages of delivery, including submission of an Outline Business Case (OBC), planning application and the Compulsory Purchase Order (CPO), together with the associated Side Roads Order (SRO).

4. In March 2017 the Cabinet agreed to gather further evidence and undertake consultation to enable the OBC to be developed and submitted to the Department for Transport (DfT).

5. In December 2017 the Cabinet noted the outcome of consultation on the NE MMDR required to develop the OBC, approved the recommended route, and authorised the Chief Executive to approve and submit the OBC to the DfT.

6. In July 2018 the Cabinet noted the award of £49.5m from the DfT Large Local Majors (LLM) Fund. It also agreed to submit a planning application for the NE MMDR in accordance with the preferred route and to make and implement a CPO and SRO.

7. In June 2019 the Cabinet noted the award of planning consent and approved the delivery of the scheme.

8. In March 2020 the Cabinet again agreed to make a CPO and SRO, as well as agreeing minor amendments to be made where necessary. Following a public inquiry in September 2021 the required CPO and SRO were confirmed by the Secretary of State in March 2022.

9. In February 2022, the Cabinet approved the capital programme 2022/23 to 2025/26, which included the NE MMDR. The Cabinet at its meeting on 23 September agreed a revised capital programme and highlighted the need to review the current capital programme.

10. In April 2022 the Cabinet agreed to take all necessary steps to confirm and implement the CPO and SRO and noted the latest position with regard to costs and timescales.

11. In September 2022, the Cabinet agreed to submit the Full Business Case (FBC) to the DfT, provided that the outcome of the target cost price exercise demonstrated that the NE MMDR scheme still represented value for money.

12. In September 2022, the Cabinet agreed for the County Council to become a signatory to the Leicester and Leicestershire Statement of Common Ground on Housing and Employment Land Needs, setting out the collaboration undertaken to reach agreement on strategic housing distribution and other matters in line with the Government's Duty to Cooperate, supporting progress on respective emerging local plans.

Background

The NE MMDR Scheme

13. The NE MMDR scheme is part of a proposed distributor road identified as necessary infrastructure to support the planned growth of Melton Mowbray, which is set out in Melton Borough Council's (MBC) adopted Local Plan. The scheme runs to the north and east of Melton Mowbray, beginning at the A606 Nottingham Road to the north, before re-joining the A606 Burton Road to the south of the town. A scheme plan has been appended to this report.

14. The scheme has been designed to improve access to potential housing and employment, reduce congestion within Melton Mowbray and improve access to the town centre. It will also reduce the number of HGVs travelling through the town centre, as well as offering air quality benefits.

Scheme Development and Programme

15. A number of reports have been considered by the Cabinet at key stages during the scheme's development, including the background, justification and progress of the NE MMDR scheme.

16. A summary of the key milestones for the scheme programme is set out below.

Date	Lead	Decision / Action
May 2016	County Council Cabinet (item 421)	Approval to undertake necessary consultations and negotiations as required to enable the definition of a preferred route for the Eastern section of the Melton Mowbray Distributor Road (MMDR).
July 2016	County Council	Submitted bid to the Department for Transport's (DfT) Large Local Major (LLM) Schemes fund, for funding to develop an Outline Business Case (OBC) for the delivery of an eastern distributor road.
November 2016	DfT	The DfT announced that the bid had been successful and £2.8m was awarded for the development of an OBC for an MMDR.
March 2017	County Council Cabinet (item 540)	The Cabinet agreed to gather further evidence and undertake consultation to enable the OBC to be developed and submitted to the DfT.
September / October 2017	County Council	Views were sought from the public and various stakeholders on the recommended route for the NE MMDR.
December 2017	County Council Cabinet (item 75)	Approval given to submit the OBC to the DfT informed by the consultation exercise.
July 2018	County Council Cabinet (item 175)	Confirmation of the award of £49.5m from the DfT's LLM Fund and approval to submit a planning application for the NE MMDR and to make and implement a Compulsory Purchase Order (CPO) and Side Roads Order (SRO).
October 2018	County Council	The planning application for the scheme was submitted.
May 2019	DCRB	Planning permission granted, subject to conditions.
March 2020	County Council Cabinet (item 385)	Approval of land strategy and agreement to make a CPO and SRO, as well as agreeing to make minor amendments of both the CPO and SRO if required.
July 2020	County Council	The CPO and SRO were subsequently made in July 2020.

Date	Lead	Decision / Action
October 2020	County Council	The CPO and SRO were published. There were 22 objections to the Orders received. After a period of negotiation, 12 remaining objections were considered at the Public Inquiry.
September 2021	Planning Inspector Public inquiry	The Inspector considered proposals and objections and subsequently submitted her report to the Secretary of State for Transport.
March 2022	Secretary of State for Transport	The Secretary of State announced in a decision dated 30 March 2022 that the proposed Compulsory Purchase Order and Side Roads Orders (including modifications) have now been confirmed.
April 2022	County Council	All pre-commencement planning conditions discharged.
April/May 2022	County Council	Demolition of Sysonby Farm (note: bat mitigation licence obtained from Natural England). The commencement of work ensured the conditions and timescales of the previously secured and planning permission for the scheme were met.
September 2022	County Council Cabinet (item 164)	Approval to submit the FBC to the DfT, subject to the scheme still representing value for money.
Late October/November 2022	County Council	Submission of Full Business Case to DfT
January 2023	County Council	Due to take entry of land under CPO
March 2023	County Council	Commence construction, subject to the Cabinet's decision

Full Business Case and Next Steps

17. Since the last Cabinet report in September 2022, work on finalising the FBC for submission to the DfT has progressed. This work has included revisiting the transport models and economic appraisal, in addition to the drafting of the business case elements in accordance with the Green Book (HM Treasury guidance), and the production of additional documentation including a Monitoring and Evaluation Plan.

18. The DfT will assess the submitted FBC, with approval being required in order to release the £49.5m of LLM Funding awarded to the scheme in 2018. The scheme remains value for money, with a benefit cost ratio (BCR) of between 2 and 3:1.

19. Advanced works, including ecology and archaeology mitigation, commenced in September 2022. A full programme has been agreed with the contractor, as part of the target price process based on main construction getting underway from March 2023. Therefore, the scheme is ready to progress to delivery, subject to a decision on whether the Council can fund the scheme, given both the significant cost increases and the challenging financial landscape for the Council as a whole.

20. There are a number of significant potential implications associated with either proceeding to delivery or withdrawing from the scheme. These are set out in paragraphs from 32 to 35 below.

Scheme Costs

21. In September 2021 the Cabinet considered a report on the 'Medium Term Financial Strategy – Latest Position', which included a revised forecast scheme cost of £85.3m. The Council also allowed for an additional £5m of contingency to its programme to support the scheme. The report noted that, "further cost implications are likely to arise from inflationary cost pressures hindering delivery of the scheme in line with current cost estimates."

22. Recognising the challenges associated with inflation, in May 2022 an internal assessment of inflation was made by officers, using the Building Cost Information Service (BCIS) General Civil Engineering Cost Index published by the BCIS, as part of the Royal Institution of Chartered Surveyors, to forecast inflation to the end of the construction phase. That assessment forecast a further £15.3m increase in cost at that time, raising the total forecast cost of the scheme to £106.1m.

23. The BCIS General Civil Engineering Cost Index measures changes in cost of labour, materials and plant on general civil engineering projects. The constituent indices allow for changes in the cost of nationally agreed labour rates, factory gate material prices and plant costs. It is therefore not reflective of the NE MMDR project, or any specific project, but is representative of civil engineering projects generally.

24. Work to establish a target price for the construction contract of the NE MMDR has been completed. This contract concerns the delivery of the main construction of the scheme, based on an agreed programme of works, materials and labour costs. This informs the overall scheme estimate, which includes additional costs such as land acquisition, professional fees, business case development, risk and future inflation. As part of the ongoing scheme development, receipt of a target cost submission from the contractor, Galliford Try, was received in October 2022.

25. However, as reported to the Cabinet in September 2022 inflation has continued to increase and is now at a 40-year high, with the CPI reaching 10.1% in July 2022. Construction inflation has been subject to significantly greater rates of

inflation, with percentage changes on-year of up to 17.3%. This has in turn had a significant effect on estimated scheme costs.

26. Following a period of review, including by an independent consultant, the target cost for the construction of the scheme has been confirmed and the total forecast scheme cost has increased to £116.1m. At FBC stage HM Treasury suggests allowing for a +/- 10% change in costs, meaning that the scheme could outturn at £127.7m. This increase has significant implications for the financial position of the Authority and is discussed further below.

Scheme Funding

27. Funding is made up of DfT LLM Funding of £49.5m, subject to approval of the FBC, Leicester and Leicestershire Enterprise Partnership (LLEP) Business Pool funding of £4m, and an anticipated £14m of developer contributions (in part forward funded by the County Council). The County Council is also expected to receive over £9m in income for the sale of land whose development is dependent upon the road. Currently, any remaining funding would need to be provided by the County Council as the local contribution. The current MTFS allocation is £85.3m plus £5m contingency. However, as a result of rising inflation, the local contribution now equates to £51m, as opposed to the £23m estimated in September 2021.

28. In light of the current difficult financial situation due to rising inflation, officers, via the Association of Directors of Environment, Economy, Planning and Transport (ADEPT), are lobbying the Government to highlight this position, which applies across the Country, and seek support for additional funding.

Proposals/Options

29. The Cabinet will be asked to decide on the next steps for the scheme at its meeting on 16 December 2022. A decision must be made at this meeting because the target price exercise is based on a programme timetable that commences in March 2023 and the price will effectively become invalid if the programme is not met. A delay will likely cause the contract to need to be repriced and renegotiated and will therefore likely result in further cost increases.

30. The options available, together with a summary of the potential implications, have been set out below. The views of the Committee and the Commission on the options are requested to inform the Cabinet's decision.

31. It should be noted that the potential for withdrawal of a scheme in these circumstances is unprecedented in Leicestershire. Therefore, officers have worked together across the Council and with officers from MBC and other organisations to understand the potential implications of the decision whether to proceed. However, some of the risks and issues identified, together with suggested costs, represent a 'best guess' at this stage.

Option 1 – Proceed to delivery of the scheme

32. **Benefits of this option***:*

a) **Scheme benefits will be realised** - The scheme has a BCR of between 2 and 3:1 – meaning significant economic benefits (three times the original investment) should be secured in Leicestershire as a result of the scheme. Under the DfT's national scoring system this is classed as high value for money. This is achieved through:

- Enabling at least 4,500 new homes and 30 hectares of employment land;
- Reducing congestion;
- Increasing active travel;
- Improving economic opportunity in Melton Mowbray.

With a reduction in HGV movement through the town and reduced congestion, there are also air quality benefits associated with delivering the scheme. The scheme will also deliver an overall biodiversity net gain for the local area.

b) **Delivers a critical aspect of Melton Borough's Local Plan** - The scheme ensures that the current strategy can be maintained and the Local Plan remains relevant.

c) **Mitigation for development with planning permission** - Over 1,700 dwellings, with a dependency on the delivery of the scheme, have been granted permission in Melton Mowbray as part of a planned development strategy set out in the Local Plan. These 1,700 dwellings are part of over 4,500 total that the scheme is expected to support over the life of the Local Plan.

d) **Makes use of external investment** - The scheme attracts £54m of grant investment in Leicestershire, ensures that an estimated £14m developer contributions can be used and delivers over £9m of capital disposals that would not otherwise be possible.

e) **Maintains Leicestershire County Council's existing track record for delivery** - the County Council has successfully delivered a number of grant funded schemes including A512 J23, M1 J22 and A42 J13 and A46 Anstey Lane. Track record for delivery is a major factor in securing future funding from the Government. For major infrastructure competitive grant funding is the main type of funding available to local authorities.

f) **Reflects the significant investment of staff resource** over an extended period.

g) **Directly supports the delivery of a primary school** for the Melton North Sustainable Neighbourhood. The Northern Sustainable Neighbourhood currently has 890 homes with planning permission and will result in demand for approximately 260 primary school places.

33. **Risks or disbenefits associated with this option**:

a) **Increased costs**

i. without other mitigations the County Council total contribution would increase to £51m, inclusive of portfolio risk and the £12.7m already spent
ii. equates to an additional contribution above that already identified in the MTFS of an estimated £33m.

This option requires a portfolio level contingency of £11.7m for unforeseen events beyond those captured in the risk register to remain in the programme (as per HM Treasury guidance). As these costs are not currently allocated in the MTFS, committing this funding will add to the existing borrowing requirement.

b) **Additional revenue costs associated with borrowing the necessary capital funding to deliver the scheme** of £4m per annum for 40 years. This would add directly to the Council's financial gap.

c) **Risk of increased costs in delivery** - Despite the work undertaken to date to provide cost certainty for the scheme, including a full review of scheme costs, development of a target price, risk identification and mitigation, production of a full quantified risk register and an overall independent review of the scheme forecast, it is possible, particularly given the condition of today's construction market, that costs could increase as the scheme is delivered on site. The project has attempted to estimate this as part of the portfolio contingency, however in a volatile market this is still subject to change.

d) **Limited ability to deliver other existing capital schemes** - Although not at a delivery stage yet, should costs increase on other schemes within the capital programme, such as the A511 Major Road Network and MMDR South (MMDR S), this option would clearly impact the Council's ability to fund those schemes.

Option 2 – do not proceed to delivery

34. **Benefits of the option:**

a) **Reduces upfront costs to the Council by £4m when compared to option 1 – leaving a remaining contribution of up to £47m** - This cost is the combined costs associated with the required mitigation or issues associated with this option set out in paragraph 35 below.

b) **Reduces the related requirement to borrow compared to option 1 by £0.3m per annum for 40 years** making a small difference to helping to better manage the challenging financial position of the Council reducing the savings requirement.

c) **Improves the possibility of the Council being able to support future capital schemes.** In not committing to the cost of delivering the scheme there is potential to use the Council's capital funds to support other schemes or priorities.

35. **Risks or disbenefits associated with the option:**

a) **Significant negative strategic planning implications:**

- The MMDR forms a critical part of MBC's Local Plan strategy and withdrawal from the scheme would render the Plan immediately out of date, triggering a cost redevelopment exercise and adverse impacts on Melton's 5-year land supply.
- This would likely have consequences for wider strategic planning activity across the Housing Market Area, such as the development and adoption of other local plans and MBC's ability to continue to agree to the apportionment of Leicester City's unmet need, as set out in the Statement of Common Ground of June 2022. Where plans are undermined, there is a greater risk of speculative development leading to pressure on key services and infrastructure, in particular that relating to education and transport.

b) **Significant impact on planning matters within Melton Borough:**

- Over 1,700 homes have been granted planning permission on the basis of current education and transport strategies. The scheme mitigates the impact of these development on the community.
- Alternative minimum mitigation would be required as a result of withdrawing from the scheme at an estimated cost of £10m to the County Council. In addition, MBC and the County Council have worked collaboratively to secure developer contribution towards the Melton Mowbray Transport Strategy (MMTS) and in particular the MMDR. Should the scheme be withdrawn, there is a risk that contributions would need to be returned and may not be available to contribute towards alternative mitigation.
- The current MMTS would become out of date, making it difficult to demonstrate the cumulative impact of development in the area and therefore sufficiently evidenced reasons for refusal or requests for contributions on future applications (of which development of up to 1,230 homes is currently in the planning system) for a significant period of time.
- With a risk of speculative development and an absence of agreed strategies, it would be likely that the Highways Development Management Team, along with other statutory consultees at the Council, would see an increased demand for resources to manage planning application responses.

c) **Additional Impacts:**

- **CPO Implications** - The Council has implemented the CPO by making a General Vesting Declaration (GVD) for part of the land and the Council will automatically acquire that land on the vesting date of 3 January 2023. Appropriate notices have also been served on owners by the Notice to Treat and Enter processes. If the scheme does not proceed, the Council will own the land covered by the GVD which would become surplus to requirement and potentially may not recover the full value if it is decided to sell, noting compensation payments plus fees will also be payable. Where the Council has served Notices to Treat and Enter or reached separate agreement with owners not covered by the GVD while the Council would not then acquire the land, it would have to recompense owners in respect of their professional fees and possibly also compensation if the owners could demonstrate they had suffered loss.

- **Reputational**

    - **Impact on the residents of Melton**. Many residents from the Melton area have been supportive of the scheme and feel the benefits of the scheme are critical to the future functioning of Melton Mowbray as a town.
    - **Impact on trust and confidence of wider stakeholders.** Many promoters and developers have worked with the Council to support delivery of the scheme. It may be difficult to encourage collaborative working in the future, given the risks associated with funding and infrastructure delivery highlighted by this option.
    - **Potential negative impact on future funding bids.** Failure to deliver schemes is generally taken into consideration by Government bodies when allocating new funding.

- **Miscellaneous**

    - **MMDR South (MMDR S)** – the MMDR S scheme is currently designed to link in with the NE MMDR. If the MMDR S is to progress, this would need to be redesigned and significant additional costs (£20m) would be incurred by the MMDR S scheme in order to provide elements of the scheme that the MMDR NE would have provided, had it been constructed. In light of the above, it would be necessary to consider implications on the Council's existing commitments and ability to deliver the MMDR S in the event that the NE MMDR does not proceed. There are potential implications here in respect of the Council's requirement to comply with the Homes England funding agreement for their contribution towards the MMDR S Scheme.
    - **Potential impact on Education Strategy.** Given that over 1,700 homes have planning permission, it could be that existing development creates an added financial burden to the Council in providing school places if the remaining development is not brought forward as envisaged. Alternative strategies may require increased forward or gap funding to provide education infrastructure and would need to be developed as part of local plan development. Further

assessment work is required on this aspect to understand the potential costs.

- **£14m sunk costs***.* In developing the scheme, and closing it down, the expenditure that the Council has incurred is not recoverable.

Option 3 – Pause the scheme

36. **Benefits of the approach**

a) **Potential to seek additional funding including possible review or restructure of MBC's Local Plan**. It is possible that a pause could be used to seek further funding. However, the disbenefits of this option include likely cost increases and any benefit may be very quickly offset by the impact of inflation and resulting cost increases to deliver the scheme.

37. **Risks or disbenefits associated with the option**

a) **Cost increases associated with delay.** The current scheme forecast is based on the target price recently agreed and will not remain valid if the scheme does not proceed in line with the current programme. Therefore, in practice, the current price lapses in January 2023 and a new costing exercise would be required that in itself would take 6 months following any necessary design checks and reviews. Officers estimate that the potential impact on costs of the delay for one year, in the current highly inflationary environment, would be £8m. Longer delays would incur additional costs.

b) **Uncertainty for planning-related activity.** Many of the risks associated with planning activity, as set out in paragraph 35, point a) and b), are likely to be realised in this option.

c) **Difficulty in retaining knowledge and expertise to deliver the scheme in the future.** Without confirmation of funding and future delivery, the current project team would be reallocated. The team is made up of individuals from the Council and various external organisations. Whilst the project could be paused, the working knowledge of the scheme would be lost, adding considerable risk to any future delivery.

d) **Additional funding is not secured**. If in the short to medium term additional funding is not secured, the pause, in effect, becomes withdrawal.

e) **Developer funding gap.** Existing funding agreements are likely to be linked to CPI or RPI rates which are generic inflation and may not correlate to specific building cost inflation rates.

f) **CPO** – There is a 3-year time limit with regard to the use of CPO powers.

<u>Consultation</u>

38. The scheme has been subject to several processes involving consultation with the public. These include as part of Melton's Local Plan development, a

preferred route consultation in 2017, a formal planning application process in 2018/19 and a public inquiry in 2021.

39. The full business case demonstrated strong local support for the scheme from MBC, local residents, businesses, the Member of Parliament, the LLEP and Midlands Connect.

40. Reports regarding the scheme have previously been considered by the Environment and Transport Overview and Scrutiny Committee on 7 December 2017, 28 June 2018 and 6 June 2019.

Resource Implications

41. The detailed design is now complete, enabling the contractor to provide a target cost and for the full scheme forecast to be finalised as detailed in paragraph 26 above.

42. As a result of this increased scheme forecast, the scheme is no longer within the allocated budget envelope set out in the current MTFS. Therefore, a decision as to whether to continue to fund the project is required. This decision would have significant resource and wider implications for the Council as a whole and therefore the matter is also referred to Scrutiny Commission before it is taken to the Cabinet.

43. All three options set out above have significant financial consequences for the Council and these are summarised in the table below.

Option	**Financial implications of the scheme**	**Certainty over those costs** **H – high** **M – medium** **L - low**	**Potential additional revenue cost associated with borrowing**
1. Proceed	£51m	**M/L** due to the scheme still to be delivered and reliance on developer funding.	of £4m per annum for 40 years
2. Withdraw	£47m	**M/L** estimated additional costs and would be subject to review of MMDR S and other necessary mitigation in light of approved planning applications in the area. Also does not include any education or planning impacts at this time.	£3.7m of £4m per annum for 40 years
3. 1-year pause before proceeding	£51m+ £8m inflation less new funding	**L** – The uncertainty over both the impact of inflation on the construction market	At least of £4m per annum for 40

		and the length of time a pause would occur for means it is very difficult to assess this cost. Identifying any new funding is not certain	years

44. The options should be considered noting the County Council is facing a challenging, worsening and frightening financial outlook. The Council is facing an ongoing revenue funding gap of £135m within four years (£170m if planned savings are included). In addition, as of September 2022, the Council was facing a one-off capital funding gap of £134m.

45. The Council's Capital Programme also needs to be rationalised. A review over the summer has already resulted in some schemes being removed or delayed and a reassessment of capital receipts.

46. As a result of escalating costs, the County Council is facing three options all of which are in reality 'unaffordable' given the financial pressures it faces. It is worth noting that when the NE MMDR scheme was initially approved the only outlay to the Council was the cashflow costs associated with the need to forward fund the road in advance of developer contributions being received. On the current estimates the Council's contribution, excluding any cashflow costs, is £51m, with annual revenue costs of approaching £4m per year for the next 40 years – to 2062. Given current shortfall within the latest Medium Term Financial Strategy this must be offset by savings elsewhere in the Council's budget.

47. Every effort is being made to obtain agreement from other partners, particularly the Government, for additional funding to reduce the significant cost burden on the County Council should the scheme proceed. The Council will nevertheless need to change its approach to funding infrastructure associated with local plans as the current approach is clearly unaffordable. There will be a future report to Cabinet that sets out a new approach.

48. The Director of Corporate Resources and the Director of Law and Governance have been consulted on this report.

Timetable for Decisions

49. In line with contract constraints set out above and the wider implications of each of the above options, the Cabinet will be asked to consider whether to proceed with the delivery of the NE MMDR at its meeting in December 2022.

Conclusions

50. The NE MMDR is a key piece of infrastructure (identified as part of Melton's Local Plan) that is designed to facilitate sustainable growth in the Borough. The

Local Plan was adopted in 2018 and sought to achieve delivery of 6,125 homes and 51 hectares of employment land, of which this scheme directly supports 4500 new homes and 30 hectares of employment land, supporting the borough's growth to 2036 and beyond.

51. The scheme not only supports a key part of Melton's Local Plan, but is also planned to inject the required economic growth in Leicestershire and the East Midlands, in full support of the Government's growth agenda.

52. Despite the increase in costs, work carried out to date demonstrates that the scheme will still represent value for money.

53. Given the Council's current financial challenges and cost escalations on the scheme it is faced with a difficult decision: whether to proceed with delivery of the NE MMDR and enter a construction contract with Galliford Try, to withdraw from the scheme, or to pause work on the scheme.

54. Proceeding is likely to have significant financial consequences, including potentially reducing other services the Council provides or, alternatively, withdrawing from the scheme, which is also likely to have far reaching consequences for Council services, MBC, and Leicestershire's strategic planning approach.

55. Members are asked to consider the content of this report. Comments of the Highways and Transport Overview and Scrutiny Committee will be reported to the Scrutiny Commission on 9 November and the views of both meetings will be submitted to the Cabinet at its meeting on 16 December 2022.

Background Papers

9 May 2016 - Cabinet - 'Progress with the Development of a Melton Mowbray Transport Strategy':
http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=4602&Ver=4

24 March 2020 – Cabinet – 'North and East Melton Mowbray Distributor Road - Making of the Compulsory Purchase Order and Side Roads Order for Land Required'
https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MID=5993#AI62737

26 April 2022 – Cabinet - North and East Melton Mowbray Distributor Road – Land Assembly
https://politics.leics.gov.uk/ieListDocuments.aspx?MId=6743

23 September 2022 - Cabinet - North and East Melton Mowbray Distributor Road – Approval to submit Full Business Case
https://politics.leics.gov.uk/(S(bceou120k23rqv55d2gvfa3d))/documents/s171226/NEMMDR%20FBC

23 September 2022 – Cabinet - Medium Term Financial Strategy – Latest Position

http://cexmodgov1/documents/s171253/MTFS%20Update%20Supplementary%20Report.pdf

23 September 2022 – Cabinet - Leicester and Leicestershire Authorities – Statement of Common Ground Relating to Housing and Employment Land Needs (June 2022) https://politics.leics.gov.uk/documents/s171194/SoCG%20Cabinet%20report.pdf

Circulation under the Local Issues Alert Procedure

56. This report has been circulated to Members representing the electoral divisions in the Melton area – Mr J. T. Orson CC, Mrs P. Posnett MBE CC, Mr M. Frisby CC and Mr B. Lovegrove CC.

Equality and Human Rights Implications

57. An Equality and Human Rights Screening Report has previously been produced for this scheme and submitted with the Cabinet report in July 2018.

58. The full Equality and Human Rights Impact Assessment formed part of the planning application submission, which can be viewed online. This includes full details of assessed impacts and proposed mitigation where applicable.

59. Should the decision be to withdraw from the scheme, a fresh Equality and Human Rights Impact Assessment will be required in line with any resulting revised policies and strategies, such as the Melton Local Plan and Melton Mowbray Transport Strategy.

Environmental Implications

60. A full assessment of the environmental impacts of the scheme was conducted as part of the Environmental Impact Assessment submitted with the planning application. This can be viewed online through the County Council's planning portal.

61. However, should the decision be taken to withdraw the scheme a further assessment of an alternative policies and strategies may be required.

Appendices

Appendix – Plan of the scheme

Officers to Contact

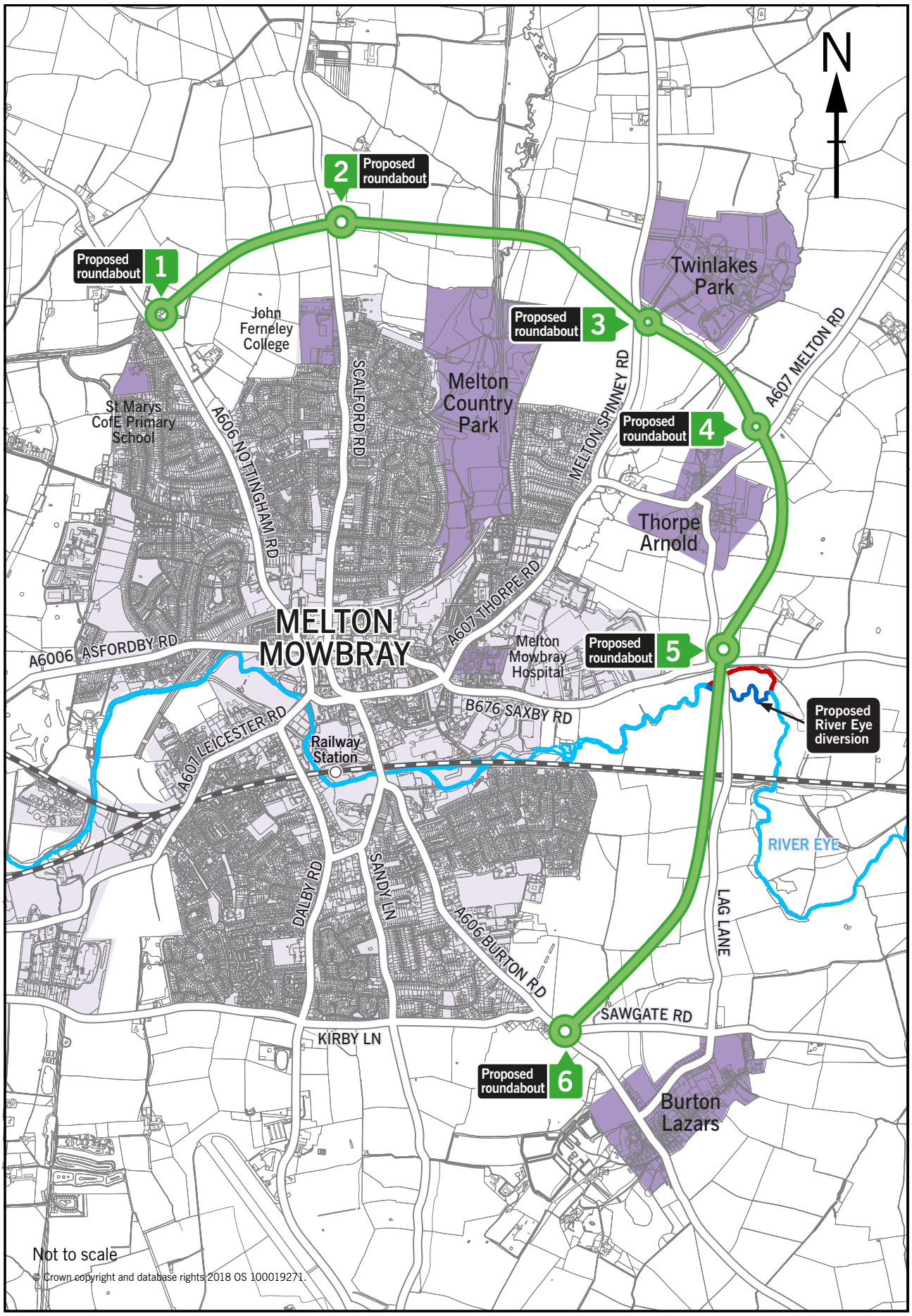
Ann Carruthers
Director, Environment and Transport
Tel: (0116) 305 7000
Email: Ann.Carruthers@leics.gov.uk

Janna Walker
Assistant Director, Development and Growth

Tel: (0116) 305 0785
Email: Janna.Walker@leics.gov.uk

APPENDIX

LEICESTERSHIRE COUNTY COUNCIL
North and East Melton Mowbray Distributor Road
Preferred route - September 2018



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