

**CABINET – 22<sup>ND</sup> NOVEMBER 2019****MELTON MOWBRAY LOCAL PLAN DELIVERY PARTNERSHIP  
- HIF BID UPDATE****REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT  
AND THE DIRECTOR OF CORPORATE RESOURCES****PART A****Purpose of the Report**

1. The purpose of this report is to advise the Cabinet of the success of the Housing Infrastructure Fund (HIF) bid for the southern section of the Melton Mowbray Distributor Road (MMDR), and discussions with Melton Borough Council (MBC) in relation to a risk-sharing agreement regarding support for the County Council in the remaining funding of the road and related infrastructure.

**Recommendations**

2. It is recommended that:
  - (a) The implications of the broad principles agreed with Melton Borough Council (MBC), set out in paragraph 37 of the report that will feed into the risk-sharing agreement be noted;
  - (b) The Director of Corporate Resources and the Director of Law and Governance, following consultation with the Cabinet Lead Member for Resources, be authorised to finalise and enter into the risk-sharing agreement with MBC prior to signing of the agreement with Homes England for the HIF funding (expected to be in place by the end of the financial year);
  - (c) The HIF funding be accepted, for the reasons set out in paragraphs 22 to 31 of this report;
  - (d) The Director of Environment and Transport, in consultation with the Director of Corporate Resources and the Director of Law and Governance and following consultation with the Cabinet Lead Members for Resources and Environment and Transport, be authorised to take the necessary actions to deliver the MMDR northern eastern and southern sections.

### **Reason for Recommendations**

3. Following the Cabinet decision of May 2019 officers have continued to work to develop a suitable risk-sharing agreement to support the funding of the MMDR and other infrastructure, required to support MBC's Local Plan.
4. The financial risk faced by the County Council in delivering the infrastructure, principally the MMDR and schools, necessary to support growth in Melton is significant. The introduction of risk-sharing arrangements with MBC and maximising developer contributions helps to manage better these risks and share these in a way that is proportionate and fair.

### **Timetable for Decisions (including Scrutiny)**

5. Subject to approval of the recommendations above, officers will work with Homes England to finalise the funding agreement for the HIF award and progress delivery of the MMDR southern section at the earliest opportunity.

### **Policy Framework and Previous Decisions**

6. In September 2015 the Cabinet agreed that the Council should work jointly with MBC to identify a preferred corridor for [what was then referred to as] an outer relief road for Melton Mowbray.
7. In December 2018 the Cabinet considered a report of the Director of Environment and Transport, which set out the Council's intention to pursue two HIF bids, one of which related to the southern section of the MMDR. It was resolved that, should a bid be successful, a further report be submitted to the Cabinet, prior to acceptance of funding by the Council.
8. In May 2019 the Cabinet considered a joint report of the Director of Corporate Resources and the Chief Executive setting out the financial challenges faced by the County Council arising from the significant housing and business growth planned across Leicestershire and the infrastructure required to support this. To mitigate the cost impact, it supported the development of risk-sharing agreements with district councils to enable the County Council to forward fund the significant infrastructure costs through the use of additional tax revenues, in advance of developer funding becoming available.

### **Resource Implications**

9. The level of transport investment required to support growth across Melton is substantial. As an example, the County Council's commitment (and potential financial exposure) to deliver the scale of infrastructure required to support growth in Melton will require around £160m gross investment - roughly £100m for roads and £60m for schools. The local burden is reduced due to the funding awarded from the Local Authority Majors Fund (£49m for the northern and eastern sections) and the HIF bid (£15m for the southern section). It is then expected that most of the remaining costs will be recouped in later years

through developer contributions. Nonetheless, it will require significant forward funding from the County Council leading to significant risks to the Authority.

10. The requirement for significant match funding and at-risk business case development for highways infrastructure will be an increasing barrier to bringing schemes forward. Discussions with MBC have led to an outline agreement for a risk-sharing arrangement that would see an estimated £6m being contributed from MBC towards highway infrastructure over the period to 2035/36. This will offset some of the County Council's forward funding and developer shortfall risks in relation to infrastructure.
11. The requirement of acceptance of the HIF bid is that equivalent contributions received from developers under the planning process will be recycled into facilitating other housing schemes in Leicestershire.
12. As part of the contracting process with Homes England, the County Council will also need to put in place appropriate monitoring arrangements to ensure that the reinvestment can be quantified and achieves its shared objective of unlocking further housing aligned with the Strategic Growth Plan.
13. The £13m match funding to make up the full £28m required to deliver the Southern Section of the MMDR will be built into the updated Capital Programme/MTFS refresh. However, the process of initial facilitation work to meet the timescales to begin working on site in 2023 will need to commence this financial year. It is proposed that this is met from accelerating funding already provided in the capital programme for the Northern and Eastern sections.

### **Legal Implications**

14. The HIF Forward Funding Guidance published by Government sets out that bidding local authorities are responsible for ensuring that any funding they are awarded will be spent in accordance with all applicable legal requirements, including planning law. Any development decisions for specific proposals must go through the normal planning process.
15. Additionally, any funding awarded has to be spent in accordance with state aid provisions, public procurement law requirements and general public law issues such as the Public Sector Equality Duty.
16. The Government's expectation is that the content of HIF bids should remain confidential. However, this does not remove the need for the Council to comply with Freedom of Information legislation and Environmental Information Regulations (FOIA/EIR). In that regard any requests under FOIA/EIR in respect to the scheme referred to in this report would be considered against, as necessary, the public interest factors for and against disclosure and applicable exemptions. It is understood that Government will release high level project information with the announcement of successful bids (project name, funding amount, number of houses).

17. As it stands the agreement with MBC is only at a high level. It will need to be fully developed in the coming months and agreed with MBC. Work on this requires to be progressed.
18. The Director of Law and Governance has been consulted on the content of this report.

### **Circulation under Local Issues Alert Procedures**

19. This report has been circulated to all members of the County Council.

### **Officers to Contact**

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## PART B

### Background

20. Construction of a MMDR is a key element of a wider Melton Mowbray Transport Strategy (MMTS), which has been in development (paragraph 43 provides further details). The known infrastructure costs to build the whole of the MMDR (northern/eastern and southern sections) and provide appropriate schools are in the region of £160m. A Government grant of £49m has already been secured (subject to Full Business Case) towards the delivery costs of the northern and eastern sections, for which the County Council has already invested £4m, at risk.
21. The successful HIF bid towards delivery of the southern section of the MMDR has secured an additional £15m, but this still leaves an estimated balance of around £100m to be identified. Section 106 agreements already in place will contribute £7m of this.

### Housing Infrastructure Fund (HIF) Offer

22. The HIF offers funding to local authorities for infrastructure to support the delivery of new homes across the country. It is a capital grant programme, which, like almost all new Government sources of funding, is being awarded via a competitive bidding process. It also requires an element of match funding. The specific bid for the Southern Section of the MMDR included total costs estimated at £28m, of which £13m would need to be funded locally.
23. After an initial assessment and development of the proposal, the County Council submitted a bid for monies from the HIF in March 2019. The primary focus of this scheme is to facilitate/accelerate the full potential of the planned development and additional development potential on the south side of Melton Mowbray, comprising the Melton South Sustainable Urban Neighbourhood. This will bring forward the early delivery of the southern section of the MMDR. The County Council was notified on 1 November that this bid had been successful.

### The importance of the HIF bid and links to current Plans/Strategies

24. *Supporting delivery of the Strategic Growth Plan (SGP):* The County Council has a strong track record of securing funding for, and the delivery of, transport infrastructure to enable growth, delivering on its strategic outcomes to promote a strong economy and to ensure a supply of quality and affordable homes. Melton Mowbray is identified as a 'Key Centre for Regeneration and Growth' in the SGP.
25. The Melton South Sustainable Neighbourhood (SN) is a key development area identified in the Melton Local Plan. Following extensive consultation during 2016-2017, the Local Plan underwent Examination, and following the Inspector's Report was formally adopted in October 2018.
26. As part of the objectives of the local plan Policy SS2 identifies the need to build a minimum of 6,125 houses and provide 51 hectares of employment land within the borough of Melton to 2036, of which a minimum of 3,980 houses and 31

hectares of employment land are proposed within the town of Melton Mowbray itself. Melton Mowbray is therefore the key focus for growth.

27. For Melton Mowbray South, the Local Plan sets out the need for the MMDR South scheme, which represents a continuation of the eastern MMDR alignment to further unlock housing and employment development as part of the Melton South SN.
28. Policies SS4 and EC1 propose the development of a minimum of 2,000 homes, 20 hectares of employment land and associated community facilities, including a new local centre and primary school, on land to the south of Kirby Lane. The site extends to over 85 hectares of housing land.
29. The infrastructure that the HIF funding was requested for is confirmed as a requirement of Local Plan, its transport Evidence Base, and supporting information as part of Outline Planning Applications. The Local Plan Inspector's Report endorses the approach taken, identifying the scheme as critical and necessary infrastructure.
30. *Reflecting 'market' interest:* The bid was aligned to an area where there is already strong market interest in bringing forward development, namely a previous outline planning application for the development of 1,500 dwellings as part of the Melton South SN. The transport infrastructure that would be funded from successful HIF bids will help to support, enable or accelerate these growth proposals.
31. *Community benefits:* Concerns have been expressed by some residents in the south of Melton Mowbray that growth proposals for the town could result in additional traffic that would use unsuitable roads, with negative impacts on their areas. The transport improvements that the HIF bids would deliver would help to address these issues.
32. This is an important opportunity to secure significant investment in transport infrastructure to enable growth. Were this current opportunity to be missed, it would not remove the need to deliver new housing in Melton Mowbray; it would mean, however, that growth would take place at a slower pace and in a way much less likely to deliver the transport infrastructure required to support growth in a coordinated fashion.
33. Whilst the bid aligns with the Melton Local Plan and will help to support / enable development where there is already known to be market interest, it is important to stress that acceptance of the bid is not intended to prejudice the proper consideration of any specific development locations or proposals as they come forward through the planning process, including through the development of future Local Plans.

#### Risks and cost sharing

34. Likely conditions associated with the HIF funding include period payments (usually 6 months); delivery being on track (if not payments might be withheld);

funding being spent only on capital costs and there being an agreed delivery date for the scheme. This will be discussed with Homes England

35. The working assumption is that Government grants and s106 developer contributions will fill any funding gaps. However, as is normal with any development, s106 developer funding is not recouped until a development has been granted planning permission and reached certain stages of occupation. There is therefore a requirement for the County Council to forward fund the project (the estimated cost of which is £13.2m for the Southern section), which puts it at significant risk, given that securing and maximising the necessary level of s106 developer contributions is outside of its control, this being managed by MBC as local planning authority.
36. The proposed risk-sharing agreed with MBC relates to the remaining road infrastructure costs (not funded by grant) in relation to the northern/eastern and southern sections of the MMDR. It will need to be finalised prior to signing of the agreement with Homes England, which is expected to be in place by the end of this financial year.
37. The legal risk-sharing agreement will be based on the following already agreed broad principles:
  - Ensuring additional tax revenues from Council Tax and New Homes Bonus generated from the consequential housing in the area are utilised to support the forward funding of the scheme and cover any potential ongoing funding shortfall. This will also go towards mitigating the risk that developer contributions fall short of the overall scheme costs;
  - Any growth in business rate revenues will be retained to cover internal costs of scheme delivery;
  - No funds are diverted from what MBC requires to deliver its Medium Term Financial Strategy;
  - Actively seeking contributions from other sources such as the business rate pool, business rate pilot and other Government funding streams to fund the infrastructure;
  - Ensuring developer funding from the proposed developments are maximised and secured as early in the development as possible;
  - Uses existing governance mechanisms for the Melton Mowbray Transport Strategy;
  - The agreement would be subject to amendment where funding streams are amended or reviewed;
  - The agreement is time-limited to 2035/36;
  - Agreeing viability assessment methodology and transparency of outcome.

### **Consultation**

38. The HIF process does not provide for public consultations to be undertaken on bids; in many respects the confidential nature of matters including specific development sector information counters against being able to meaningfully conduct such consultations.

39. However, the Melton Local Plan, which provides the statutory planning policy for the Melton Southern SN and the MMDR, has been informed by extensive public involvement and has been subject to an examination in public (EIP). The EIP Inspector fully endorsed the growth proposals for Melton Mowbray and the proposals for the MMDR and the Local Plan have been duly adopted on that basis. Overall, there is general public support for the MMDR and the extensive consultation that took place as part of the planning application for the North and East sections MMDR resulted in very few objections.
40. Following successful award of HIF funding further consultation would be undertaken as planning permission for the MMDR southern section still needs to be progressed.
41. As and when specific proposals come forward through the planning process for any further growth in Melton, they will be subject to statutory consultation processes.

### **Next Steps**

42. Subject to the Cabinet's acceptance of HIF funding, the proposals will be fully developed, with a view to delivering the transport infrastructure in the required timeframe (Spring 2019 to 2023/24). Officers will work closely with the developers along the MMDR Southern section as they submit the necessary planning applications through 2020.
43. Work will continue to develop the complete MMTS. In essence, the MMTS will provide the basis for the future development and delivery of a wider range of transport measures that will complement the MMDR and further support the future growth of the town. Such measures, the delivery of which is likely to be through a mixture of public and private (developer) funding, are likely to include traffic management (e.g. road resigning and reclassifications); improvements for walking and cycling, and measures to support and promote use of passenger transport. The MMTS will be subject to further reports to the Cabinet as necessary.

### **Conclusion**

44. The County Council has a strong track record of securing funding to deliver transport infrastructure to enable growth, supporting the delivery of its strategic outcomes to promote a strong economy and to ensure a supply of quality and affordable homes. Despite this, there remain considerable challenges in seeking to meet the future housing (and job) needs of the area's changing and growing population.
45. The Housing Infrastructure Fund (HIF) award offers a significant opportunity for the County Council to support the delivery of the Melton Local Plan which sets out the need for the MMDR southern scheme, a continuation of the eastern MMDR alignment to further unlock housing and employment development as part of the Melton South SN.



46. It also provides opportunities to enable better integration and co-ordination of transport infrastructure with the new development. This should benefit local communities in areas close to proposed new development locations and help to address often expressed community concerns that when development happens the transport infrastructure required to mitigate its highway impacts is not provided in a sufficiently timely fashion.
47. The risk-sharing agreement with MBC will go some way to mitigate against the financial risk for the County Council in accepting the HIF funding and delivering the infrastructure.

### **Equality and Human Rights Implications**

48. The MMDR Southern section 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, more detailed assessments of specific proposals will be undertaken as they come forward through the planning process.

### **Environmental Implications**

49. An environmental impacts study was carried out as part of the HIF bid development process to inform the WebTAG assessment. In accordance with relevant regulatory requirements, more detailed assessments of the specific proposals will be undertaken as they come forward through the planning process.

### **Background Papers**

Report to the County Council – 20<sup>th</sup> February 2019 - The County Council's Medium Term Financial Strategy for 2019/20 to 2022/23  
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=5125&Ver=4>

Report to the Cabinet - 24<sup>th</sup> May 2019 - Supporting Growth in Leicestershire  
<http://politics.leics.gov.uk/documents/s145945/Supporting%20Growth%20in%20Leicestershire.pdf>

Report to the Cabinet - 18<sup>th</sup> December 2018 - Housing Infrastructure Fund  
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5793&Ver=4>

Report to the Cabinet – 23rd November 2018 – Leicester and Leicestershire Strategic Growth Plan 2018 - 2050  
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5185&Ver=4>

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