

**SCRUTINY COMMISSION – 9 NOVEMBER 2022**

**NORTH AND EAST MELTON MOWBRAY DISTRIBUTOR ROAD –  
COST IMPLICATIONS**

**DRAFT MINUTE EXTRACT**

The Committee considered a report of the Director of Environment and Transport which provided an update on the progress of the North and Eastern Melton Mowbray Distributor Road (NE MMDR) scheme, including cost implications. The report sought the Commissions' views prior to the Cabinet making a decision on whether to progress to delivery of the scheme on 16<sup>th</sup> December 2022. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

In presenting the report the Director of Environment and Transport and the Director of Corporate Resources highlighted the following key points:

- Transport benefits and reasons for delivering the scheme remained. The key consideration on whether to continue to peruse the scheme would therefore be the cost of delivery which had increased significantly.
- The construction industry had been hit hard by the rise in inflation. The cost of materials in some cases had increased by more than 17%.
- The schemes forecasted outturn costs had gone up from an initial estimate of £85.3m with a £5m contingency, to an estimated £116.1m. Taking into account Treasury Guidance and therefore allowing for a contingency of plus 10% would take the costs up further to £127m. These costs had been tested extensively both internally and externally in the market.
- Some funding had been secured from the Department of Transport (£49.5m), the Leicester and Leicestershire Local Enterprise Partnership (£4m) and through developer contributions (£14m index linked). Some income had also been generated from land. This left the remaining funding which would need to be met by the County Council at £51m (up from £23m in 2021).
- Borrowing would be required to meet these increased costs at a cost to the Council in the region of £4m a year for 40 years.
- There were essentially no good options as all were technically unaffordable for the County Council making an already difficult financial position considerably worse given current pressures.

The Chairman sought the views of each Member of the Commission. The following points were made:

- (i) Members noted that from a transport perspective, it was a good scheme that would benefit Melton, neighbouring areas and the wider County. The

Chairman of the Environment and Transport Overview and Scrutiny Committee confirmed that when it considered the matter the overwhelming view had been to proceed with Option 1 (i.e. to proceed as planned with the scheme).

- (ii) It was important to recognise some of the wider implications of not progressing with the scheme, such as the loss of seven years' work and investment in developing the project, improved air quality in the town centre, a new primary school, 1,500 new homes, and 30ha of employment land. Also, the Melton Local Plan would likely fail as would the Statement of Common Ground which would have a much bigger knock-on effect for all district council local plans.
- (iii) As the County Highways Authority regard had to be taken of the consequential impacts of district council local plans failing and the costs that would give rise to for the County Council as a result of unplanned development.
- (iv) Borrowing would be a significant change in approach for the Council, the previous Lead Member for Resources having been against this for many years. It was acknowledged that additional income would be generated in council tax from the houses to be built, but the demand for services that the Council provided would also increase. It was further highlighted that the cost of borrowing would also require savings to be made elsewhere which would impact other County Council services.
- (v) It was important for the Council to retain credibility and to show it could deliver such schemes in order to ensure it was able to secure further government funding for other projects in the future.
- (vi) It was likely that delivery of the Council's own carbon neutral targets would be negatively affected if the scheme did not progress.
- (vii) The Council was in a very difficult position with the cost of not pursuing the scheme being almost as much as pursuing it. It had been assumed that the cost saving of not proceeding would be £4m per year. However, in reality, the cost saving would only be £300,000 per year and this therefore in practice made the options very limited. With this in mind, when considering the wider impacts raised and the potential reputational damage to the Council, on balance, Option 1 had to be supported.
- (viii) A member questioned whether there was potential for more funding from the DfT. The Director of Corporate Resources confirmed that discussions had been held with the DfT, but it had confirmed that no further funding could be made available. This was the stance it had taken in respect of all major schemes across the country that were experiencing similar difficulties. The Leader gave assurance that discussions with the DfT and other government colleagues would continue in case additional monies became available in the future.

- (ix) It was questioned whether further funding could be secured through future developer contributions on the basis that the bypass would inevitably open up more opportunities for further development in years to come. It was noted that MBC had developed a master plan for the north and south sustainable neighbourhoods in the area and had a strategic approach to contributions that would prioritise highways infrastructure.
- (x) The gap between developer contributions and the cost of infrastructure schemes had been growing for some time. This was a national problem with other local authorities having similar difficulties with large infrastructure schemes. The Council was therefore looking to change its approach to enable it to seek greater contributions at the outset. In the past a flat rate for infrastructure costs across all developments in a particular district had been sought. In future, it was proposed that rates would vary to better reflect the ever-changing costs incurred by the Council over time and a better account would also be taken of inflation. A report on the Council's planned revised approach would be presented to the Cabinet in November. Members noted that this revised approach would enable greater contributions to be sought from developers in respect of future housing schemes applied for in Melton.
- (xi) A Member questioned if the amount of developer contributions secured to date could be regarded as good. It was noted that on average £8,600 had been secured per house in Melton. This supported both the north and south sections of the road though funds would be prioritised to the development of this phase of the scheme. Members noted that on average higher contributions were secured in Melton than in some other areas in the County.
- (xii) A Member questioned the delays in developing the scheme and how much costs had increased as a result. The Director reported that the scheme was approximately 2 years behind schedule. This had largely been due to factors outside the Council's control, for example delays in the planning and consultation process. However, the estimated timescale had been overoptimistic, and this would be a lesson learnt when bidding for schemes in future.
- (xiii) If works had begun on site when planned, it was acknowledged that the scheme would have been considerably cheaper. However, it would have been impossible to anticipate the cost increases being seen on this occasion. Other similar schemes which had gone over time in the past had not seen such unprecedented price increases.
- (xiv) The Council across all departments had been looking at how to avoid similar circumstances arising again for future large scale infrastructure schemes and consideration was being given to whether the Council would continue to put in bids for future government funding, and if so, whether to approach that process in a different way.

- (xv) It was unfortunate that the cost of perusing the scheme would increase council tax costs for all residents across the County, and limit opportunities for other schemes elsewhere which also had air quality issues and where a similar by-pass might be of benefit. Members noted that continuing with the scheme would mean the Council would find it very difficult support other capital projects in other parts of the County for the foreseeable future unless they were fully funded.
- (xvi) It had to be recognised that all district councils would have their own local plans which would place demands on the County Council to provide infrastructure to support growth in those areas. A Member suggested it would not be realistic to suggest this could simply not be delivered. Alternative approaches would need to be considered to ensure other parts of the County were not disadvantaged.
- (xvii) A Member questioned if there might be scope for MBC to contribute more funding towards the scheme. As every council tax payer would be burdened with the cost of the project that would largely benefit only a portion of the County it was suggested that this would not be unreasonable.
- (xviii) Several Members commented that it was important to recognise that the County Council as Highway Authority had its responsibilities and district councils had theirs and a blurring of the two would be problematic in the long term. It was noted that the Borough Council had already agreed to contribute some funding and some Members commented that to go back again at this late stage would not be appropriate. This was a matter of discussion between MBC Leaders and Chief Officers to negotiate as it had already done.

It was moved by Mrs Page and seconded by Mr Gillard that a letter be sent to MBC to see if there was scope for it to contribute further to the scheme.

The motion was put and not carried, 4 members voting for the motion, 5 against.

*[Mr S. Galton CC had left the meeting and there was 1 abstention.]*

RESOLVED:

- (a) That the report now provided on the progress and cost implications of delivering the north and eastern sections of the Melton Mowbray Distributor Road be noted;
- (b) That the Cabinet be advised that the Commission unanimously supported Option 1, to proceed to delivery of the scheme.