

Alison McKane
Interim Assistant Director for Governance and
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By email only: amckane@melton.gov.uk

Date: 27th June 2023
My Ref: F. McM
Your Ref:
Contact: Fiona McMillan
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Dear Ms McKane,

Funding of the MMDR (South) Scheme

I am writing on behalf of Ms Lauren Haslam (Director of Law & Governance), who is currently away from the office on annual leave.

I note the contents of your correspondence dated 7th June, in which you clarified Melton Borough Council's position in relation to the funding of the MMDR (South) Scheme and stated "*The Council remains fully committed to supporting Leicestershire County Council deliver the relief road, including the southern section, and will honour all financial and contractual commitments made.*"

Leicestershire County Council ("LCC") is of course grateful for your confirmation of MBC's willingness to adhere to its existing contractual obligations.

However, the funding agreement between MBC and the LCC was concluded in November 2021. At the time that funding agreement was concluded, the inflationary pressures impacting in 2022, which continue largely unabated, could not have been foreseen. As you may be aware, following a cost review, the current most likely budget estimate for MMDR (South) is £61.4m, which represents an increase of £24m from the previous budget estimate plus an associated £8m increase in portfolio risk.

At a project board meeting on 29 March 2023, it was disclosed to attendees including MBC' officers that Homes England had triggered the need for the County Council to produce a remediation plan. The practical effect of Homes England's decision was to require LCC to review the MMDR (South) project and develop a plan demonstrating how the County Council could actually afford to deliver the project notwithstanding the escalating costs.

If Homes England is not satisfied with the remediation plan produced by LCC then it could withhold grant funding. If Homes England were to do so, that would likely prove fatal to the progression of the MMDR (South) project, at least for the foreseeable future. Should

Chief Executive's Department

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that occur, the agreement concluded between LCC and MBC in November 2021 would be frustrated. Homes England and DLUHC are aware that this letter is being sent to you.

The Council accepts that MBC's contribution is contractually limited and also that it would be financially difficult for MBC to increase its direct financial contribution. Nevertheless, LCC sees scope for MBC to co-operate to support the project, which would help to demonstrate to Homes England that the remediation plan is deliverable as well as helping to support the economic viability of the project more generally.

Such support would be comprised of a number of elements: -

- (1) Firstly, the political leadership of MBC should resolve at a Full Council meeting to confirm MBC's commitment to the November 2021 contract.
- (2) Secondly, there should be a resolution at a MBC full council meeting in support of towards finding planning solutions so this project can proceed, as proposed below:
 - MBC will, consistent with its legal obligations, continue to prioritise the Strategic Transport Contributions (STC) in any relevant s106 agreements in line with MBC's adopted Supplementary Planning Document.
 - MBC will support a review of the STC to reflect the latest cost estimates enabling an immediate uplift, applicable to all applications where final observations have not been issued, recognising that viability considerations will be relevant to final requests just as they are now. This review would be followed by an annual uplift of the SCT, in line with inflation.
 - MBC will expedite the delivery of applications that contribute STC to minimise any forward funding by LCC, subject to developers engaging with MBC and submitting applications for planning permission.
 - MBC will encourage its planning officers to co-operate with LCC in relation to addressing any planning applications concerned with the delivery of education provision (e.g., in the event that LCC considers it necessary to alter its development plans to build fewer but larger schools, to minimise land take, in or around Melton).
 - MBC will facilitate the delivery of additional housing to provide for future need (subject to receipt of the planning applications for housing), in addition to the current allocation, to increase STC contributions to support the viability of necessary infrastructure delivery.

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- MBC will facilitate the redistribution of current employment allocations to allow for additional housing with the sustainable neighbourhood to support the viability of necessary infrastructure delivery.
- MBC will seek to secure appropriate 3rd Party investment (e.g., levelling up funding) to reduce the funding gaps if the scheme proceeds.

The Council recognises that MBC is required to comply with all relevant laws, regulations and guidance regulating the exercise of its planning powers. There is, of course, no intention of trying to fetter the discretion of MBC's planning committee and no expectations that due process should be curtailed in order to develop new policy.

I look forward to hearing from you.

Yours sincerely,



Fiona McMillan
Head of Law (Deputy Monitoring Officer)

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