

Open Report on behalf of Richard Wills, Executive Director for Communities

Report to:	Executive
Date:	15 August 2011
Subject:	Lincoln Eastern Bypass Funding Mechanisms
Decision Reference:	01925
Key decision?	Yes

Summary:

This paper identifies the funding required to deliver the Lincoln Eastern Bypass (LEB) and for making the best case to secure the Department for Transport (DfT) support and funding element as outlined in Table 1.

Recommendation(s):

It is recommended that the Executive underwrite the third party funding shortfall of £33.994m, and repayment of this sum will be made from developer contributions channelled through the Central Lincolnshire Joint Strategic Planning Committee over the Local Development Framework (LDF) Joint Core Strategy period.

Alternatives Considered:

1. Executive do not underwrite the third party funding shortfall with the likely consequence that the LEB Best and Final Bid will not be supported by the DfT.

Reasons for Recommendation:

There is a very high probability that the Best and Final Bid presented to the DfT on 9 September 2011 will fail and the LEB will not gain DfT funding if the £33.994m third party funding element is not underwritten by Lincolnshire County Council. The Government have advised Authorities that there will be no further opportunities to seek DfT funding for major road schemes within the current Comprehensive Spending Review period up to 2015 and with no guarantees thereafter.

1. Background

- 1.1 The Lincoln Eastern Bypass (LEB) has a long history and was programmed to receive funding under the Regional Funding Allocation (RFA). At that time, £112m of central government funding was being sought for the delivery of a dual carriageway scheme. However, the Major Scheme Business Case (MSBC) did not complete all the DfT procedures prior to the General Election, and the subsequent Comprehensive Spending Review. The new government replaced the RFA funding mechanism with a revised funding system which resulted in the LEB being placed in the DfT's Pre-Qualification Pool of schemes. LCC was strongly advised that to be successful any bid would need to be critically re-engineered to radically reduce its demand on the public purse. Following further DfT advice an expression of interest was subsequently submitted seeking £49.950m to support the construction of a single carriageway scheme. This led to the LEB being successfully elevated to the "development pool" from which a Best and Final Bid is now required to be made by 9 September for further consideration by the DfT.
- 1.2 The total cost estimate for the single carriageway scheme is £97m and table 1 below identifies the level of funding required from various sources. As can be seen, a key element of all the proposals for the LEB is a reliance on a level of third party contribution.

Table 1 – LEB Contributions to cost

Funding Sources	Latest Cost Estimate of Proposed Scheme (August 2011) £M
LCC contribution – Capital Programme Other Road Improvements Block	£13.874
Third Party Funding – Developer Contribution repaid through Central Lincolnshire Joint Planning Committee (CIL or other funding streams).	£33.994
DfT Funding Contribution subject to best and final bid	£49.950
TOTAL	£97.817

- 1.3 On the 25 July 2011 the Central Lincolnshire Joint Strategic Planning Committee resolved the following:
- The Committee reaffirmed the pursuance of aligned Community Infrastructure Levy (CIL) charging schedules and spending plans
 - The Committee reaffirmed its level of commitment to the LEB
 - Agreement was given in principle to meet the level of third party funding required for the bypass, irrespective of the funding sources that will be utilised, with the proviso that other funding streams aligned to this process continue to be explored.

- 1.4 This means developer contributions should be available to repay Lincolnshire County Council's underwritten element of £33.994m as and when developer contribution streams are received over the life of the Local Development Framework Joint Core Strategy period.

2. Conclusion

- 2.1 There are a number of risks associated with Lincolnshire County Council not underwriting funding for the LEB, the first and most serious is the potential loss of the £49.950m DfT funding. If this happens then another £49.950m would need to be generated from other sources to pay for the scheme. This would be extremely difficult within the constraints of developer contributions already identified as required by the Central Lincolnshire Joint Strategic Planning Committee.

3. Legal Comments:

The Lincoln Eastern Bypass is referred to in the current Local Transport Plan which is part of the Policy Framework in the Council's Constitution. This decision is therefore lawful and within the remit of the Executive

4. Resource Comments:

This report outlines the funding requirements for the construction of the Lincoln Eastern Bypass and seeks approval to submit a funding application to the Department for Transport (DfT) for £50.0m towards the total cost of the scheme estimated at £97.8m. The remaining expenditure will be funded £13.9m from the Council's existing Highways and Transport capital programme and £33.9m developer contributions.

The funding profile has been created to maximise the possibility of being awarded DfT grant, however, the profile includes £33.9m of developer contributions. This money will only be received by the Council over the life of the Local Development Framework and Joint Core Strategy period and not before the start of construction, therefore the County Council will have to underwrite this amount until it is received from the developers. Without this guarantee there is a higher potential to lose the DfT grant

5. Consultation

a) Has Local Member Been Consulted?

Yes

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

n/a

d) Policy Proofing Actions Required

n/a

6. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Central Lincolnshire Joint Strategic Planning Committee Minutes 25 July 2011	Technical Services Partnership, Witham Park House, Lincoln
Lincoln Eastern Bypass Executive Report, November 2008	Lincoln County Offices, Newland, Lincoln

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