

REPORT OF THE DIRECTOR OF PLACE

CULLOMPTON TOWN CENTRE RELIEF ROAD (CTCRR) PROJECT

Cabinet Member(s): Councillor Richard Chesterton, Cabinet Member for Planning and Regeneration

Responsible Officer: Richard Marsh, Director of Place

Reason for Report: The report presents a recommendation to request the release of a tranche of Housing Infrastructure Fund (HIF) monies to facilitate the continued progression of technical work relating to the Cullompton Town Centre Relief Road (CTCRR) until the end of March 2023, by which time a decision from Government regarding our pending LUF bid should be received and any Grant Agreement agreed between the parties.

RECOMMENDATIONS:

- 1. To endorse the request for a drawdown and expenditure of a further tranche of the Housing Infrastructure Fund (HIF) funding, totalling £210k, subject to agreement on appropriate indemnity, to enable the progression of further technical work relating to the Cullompton Town Centre Relief Road (CTCRR) until the end of March 2023.**

Financial Implications: The request for a drawdown of further HIF funding (£210k) to support further technical work in relation to the Cullompton Town Centre Relief Road (CTCRR) will need to be subject to an indemnity agreement with Homes England to protect the Authority from the clawing back of any of this expenditure should the scheme ultimately not proceed to completion. Should Homes England not agree to the necessary indemnity provision the request will be withdrawn and work paused. The Council could still be at risk of claw-back from that element of HIF funding already committed (approx. £635k), as set out within the November 2021 report.

Budget and Policy Framework: The CTCRR Scheme has detailed planning permission, is a scheme which has broad public support and is a key scheme in realising wider objectives and ambitions for Cullompton and the district as a whole. Provision is made within the existing Budget framework for the scheme and arrangements are under continual review.

Legal Implications: Legal obligations apply in relation to the original/existing grant of HIF (Housing Infrastructure Fund) funding and the delivery of the CTCRR scheme. The utilisation of a further tranche of the HIF funding, without the risk of clawback, will allow the scheme to progress – but it does not fundamentally address the issue of how to fund delivery of the road and deliver the outputs which the Council would wish to see, or which underpin the grant of the HIF monies should Levelling Up funding not be forthcoming. It will be necessary to keep the other terms of the original HIF grant in mind, and be mindful of the legal implications for the Council to avoid the Council breaching any terms of the HIF Agreement.

Risk Assessment: As set out above, the risk associated with the utilisation of a further tranche of HIF funding is limited if indemnified against clawback of the funding from Homes England. This means that the Council's financial risk is not increased as a consequence of the expenditure of further HIF money to progress the technical design work associated with the scheme. However, risks do remain for the Council as set out in the report to Cabinet 1st February 2022:

1. Utilisation of the funding does not fundamentally address the issue that the Council does not yet have the full funds required to deliver the road as currently costed. The Council therefore continues to progress the scheme, without certainty of delivery.
2. Programme (time) risk remains - The HIF agreement places specific obligations on the Council. One of the obligations within the Agreement relates to the date of the completion of works which is set for 31st March 2023. The current programme will not facilitate completion of works by this date. Homes England are aware of this and the parties (MDDC and Homes England) have agreed to review the Agreement at a point in time when it is expected that there will be more certainty as to whether MDDC have been successful in securing the additional funding (via the Levelling Up fund) required to deliver the road and when both parties are expected to have more clarity regarding the future of the project. This review will allow the parties to review the terms of the Agreement in light of the status of the project and consider any variations required to the existing Agreement in order to support delivery. Clearly, should the additional funding to deliver the full road scheme not be secured and the current Agreement is not varied, the existing Agreement could terminate on the 31st March 2023 and the Council may be required to return the element of funding which has been spent and which is not covered by the indemnity (this element totalling approx. £635k). This position would be unaffected and unchanged by the drawdown of the further funding proposed within this report. An alternative option to drawing down further funding would be for the Council to choose not to proceed with the further technical work at this time. However, this would then stall the project and incur delay – further hampering delivery. This would not be practical as it would stall a key MDDC project and is therefore not a recommended option. Instead, it is recommended that the Council draw down the further tranche of HIF funding and progress technical work, despite the continued uncertainty around ultimate delivery. This is recommended because further progressing the technical work will increase the technical understanding of the scheme and therefore should, in theory, reduce the risk for any prospective funder in relation to non-delivery or cost or programme over-run – as the project will better understand the scheme challenges and how to address them. It should be hoped that this additional project understanding will then increase the likelihood of securing the required funding to enable delivery, as the scheme has been further de-risked and is 'shovel-ready'.

Equality Impact Assessment: There are no issues arising directly from this report.

Relationship to Corporate Plan: The CTCRR project is considered vital to enable development identified in the Local Plan to come forward and make a valuable contribution to delivering the priorities of the Corporate Plan 2020 to 2024; Economy, Homes, Community and Environment.

Impact on Climate Change: The relief road project is a scheme with planning permission which will deliver significant environmental improvements within the town centre, unlock significant development within Cullompton and reduce issues currently associated with congestion and pollution. The scheme is therefore considered, on balance, to be one which should be pursued and delivered in order to deliver the benefits associated with the scheme. However, the road will of course create new highways infrastructure which will continue to support the use of private and public vehicles, despite the associated environmental impacts of emissions from such vehicles.

1 BACKGROUND

- 1.1. Members will recall that at Cabinet's November 2021 meeting it was confirmed that the Council had been unsuccessful in securing LUF Round One (Levelling-Up Fund) monies to support the delivery of the Cullompton Town Centre Relief Road – those additional monies

being necessary to facilitate delivery owing to the funding shortfall created as a result of increased construction costs.

- 1.2. At its 28th June 2022 meeting, Cabinet resolved to submit a bid to the second round of the Levelling Up Fund; prior to this Cabinet considered a report at its 1st February 2022 meeting which sought approval to drawdown a tranche of the Housing Infrastructure Fund (HIF) funding, totalling £560k, to enable the progression of further feasibility and technical work relating to the Cullompton Town Centre Relief Road (CTCRR). This enabled the project to stay live whilst the LUF bid was being prepared and submitted.
- 1.3. A decision on LUF funding from Government has been delayed. The documentation supporting the Government's Autumn Statement (17th November 2022), stated that successful bids would be announced before the end of the calendar year, but the most recent communication has confirmed that announcements are to be expected by the end of January 2023.
- 1.4. As a result of this delay it is proposed that the District Council make a request to Homes England for a drawdown from the existing HIF agreement of up to £210k to enable work to continue on the project until the end of March 2023 thus endeavouring to keep to timetable in line with Levelling Up Submission timetable. Although a decision on the LUF bid is expected in January 2023, requesting additional funding to support the project until March 2023 allows contingency should further delays be encountered and also allows time to finalise any Grant Agreement relating to the LUF funding. Clearly, the £210k figure is a maximum and the project team will only draw down what is required to continue the project until clarity is secured on the LUF bid or the LUF funding can be deployed. The spend should therefore be viewed as being 'up to' £210k, rather than it being a definitive spend of £210k.
- 1.5. Under the terms of the HIF agreement, this additional funding/draw-down would ordinarily be subject to claw-back by the Agency should the scheme ultimately not proceed to completion. However, MDDC officers will seek to agree with Homes England that an indemnity will be provided by Homes England to MDDC – protecting the Authority from the clawback of this additional element of funding drawdown (up to £210k.) as was previously done for the £560k drawdown reported at the 1st February 2022 Cabinet. Should this indemnity not be secured the request will no longer be pursued and the project will be paused.

2 RECOMMENDATIONS/CONCLUSIONS

- 2.1 The recommendation is to draw down and expend a further tranche of HIF funding (up to £210k) to facilitate the progression of further technical work until the end of March 2023. An indemnity in favour of MDDC will need to be secured to protect the authority against the claw-back of this element of funding, should the scheme not ultimately progress to completion.
- 2.2 Further reports will be brought before Cabinet as soon as possible in order to provide updates in relation to the LUF application outcome and any other matters relating to the Cullompton Town Centre Relief Road project.

Contact for more Information:

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Circulation of the Report: Cabinet Member, Cabinet, Leadership Team

List of Background Papers:

1st February 2022 Cabinet Report

[Cabinet Report Cullompton Town Centre Relief Road Feb 2022 \(middevon.gov.uk\)](#)

28th June 2022 Cabinet Report

[220628 Levelling Up Fund -Cabinet Report V4.pdf \(middevon.gov.uk\)](#)