

REPORT OF THE DIRECTOR OF PLACE

CULLOMPTON TOWN CENTRE RELIEF ROAD (CTCRR)

Cabinet Member(s): Councillor Graeme Barnell, Cabinet Member for Planning and Regeneration

Responsible Officer: Richard Marsh, Director of Place

Reason for Report:

1. To inform Members of the outcome of Mid Devon's application to the second round of the Levelling Up Fund (LUF2) to support delivery of the Cullompton Town Centre Relief Road (CTCRR).
2. To seek approval to continue to investigate and negotiate additional funding opportunities to deliver the CTCRR scheme noting that this will include review and consideration of overall development viability and scheme S106 contributions.
3. To seek approval for Officers developing and submitting a bid to the third round of the Levelling Up Fund to enable or support the delivery of the Cullompton Town Centre Relief Road. The bid being updated to include key information and addressing any issues raised through the LUF2 bid evaluation (when and if received from DLUHC).

RECOMMENDATIONS:

1. **That Cabinet consider the contents of this report and instructs Officers to:**
 - i) **Continue to investigate and negotiate additional funding opportunities to support timely delivery of the Cullompton Town Centre Relief Road**
 - ii) **If an additional funding mechanism to support timely delivery of the relief road project (working with the existing HIF grant) can be negotiated and agreed in detail, to bring this back to Cabinet as soon as possible for consideration and decision, as appropriate.**
2. **That delegated authority be given to the Director of Place to develop and submit a bid to the third round of the Levelling Up Fund in respect of the gap funding required to enable or support delivery of the Cullompton Town Centre Relief Road, should the scheme still qualify for a District Council submission and should the LUF3 fund be confirmed.**

Financial Implications:

The current shortfall for delivering the CTCRR scheme is in excess of £19m. This is assuming a continuation of the £10m HIF scheme and £1.5m Devon County Council funding. Given the importance of the scheme, this report proposes that Officers continue to explore additional funding opportunities to address this shortfall. It is proposed that Cabinet is updated on any possible options and a recommendation made, with their related financial implications and risks detailed, once a preferred option is fully developed.

Should the District Council be successful in securing funding through the third round of the Levelling Up Fund, and should this ultimately be directed to providing the 'gap funding' required to fully address the current shortfall, this would once again become the favoured route of funding the CTCRR and MDDC would revert to utilisation of this funding as its preferred delivery mechanism.

Government has yet to announce details of 'LUF 3'; however assuming it is similar to the two previous bids, District Councils would be able to bid for up to £20 million capital funding. Should the scheme costs increase and the shortfall exceed £20 million, assuming similar rules to the last two rounds, it would need to be a submission undertaken by Devon County Council as highways authority, should DCC confirm that CTCRR is a priority for funding.

Previously bidding authorities were 'encouraged' to include local match funding amounting to 10% of total project costs – this could be in the form of developers' contributions, or private sector match. For the Cullompton relief road, there is already a close connection with development financial contributions through Housing Infrastructure Fund recovery requirements and Devon County Council is acting as delivery partner. Devon County Council has previously pledged £1.5 million towards the scheme costs.

Clearly, the investment of officer and consultant time in the development and review of options does incur cost to the Council/the project – directly or indirectly – but the relatively low cost of exploring additional options for funding, and the risk associated with this expenditure, is deemed to be low whilst the risk and cost of not developing options to support the delivery of CTCRR and the associated risk of failing to utilise the HIF funding within the lifetime of the HIF programme (i.e. by March 2024) is deemed to significantly outweigh any risks associated with modest expenditure. Officers are therefore committed to exploring every viable option to support the delivery of CTCRR as critical infrastructure to address existing issues in Cullompton, to support the delivery of the Garden Village/other developments and to support the realisation of the type and scale of development as foreseen through the adopted Local Plan.

Necessarily, any consideration of alternative funding opportunities will also be accompanied by a review of forecast scheme costs to identify potential opportunities for cost reduction. However, officers understand the need for a comprehensive scheme, are mindful of the need to not undermine local benefits accruing from it and are also very conscious of current inflationary pressures and the need not to underestimate these. Any cost review and cost reduction will therefore be careful not to undermine the key outputs of the scheme.

Budget and Policy Framework:

As set out above, the CTCRR scheme currently has a funding shortfall in excess of £19m. This is assuming a continuation of the £10 million HIF scheme and £1.5 million of Devon County Council funding. This report seeks approval to continue to explore additional funding options to meet the shortfall. One of the options to be explored is the third round of the Levelling Up Fund (LUF) details of which are yet to be released by Government.

This report is not considered to raise policy framework implications but clearly the delivery of the CTCRR is a key objective for the Council and is key to supporting the realisation of a range of benefits to Cullompton; enabling housing delivery in and around Cullompton, and; unlocking the wider garden community. Failure to deliver the relief road in a timely fashion will have implications for the council in terms of its ability to address existing constraints and challenges within Cullompton (such as air quality), but also in affecting the scale and pace

of housing delivery within the district. This point has also been stressed to project partners – as it was throughout the LUF2 bid submission.

The review of additional funding opportunities will necessarily also involve consideration of policy frameworks. In this case, this is likely to relate to relevant development plans and their policies, as well as S106 requirements. Any work/options will seek to work within the policy framework or, where divergences are identified or recommended, these will be fully considered and appraised in accordance with established practice. For example; should viability or financial analysis demonstrate the need for reduction in elements of S106 contributions in order to support other financial contributions (i.e. increased financial contributions aimed at supporting the delivery of the CTCRR), these will be fully assessed, considered and determined through appropriate processes and procedures.

Legal Implications: All funding options will have legal implications and will be subject to legal agreement (e.g. Grant Funding Agreement, Section 106 etc) dependent on the nature of the funding mechanism. These cannot be specified until the precise nature of the funding package is known.

As referenced above, the HIF funding has a limited programme lifetime and is already subject to grant conditions which the Council will need to remain mindful of and work within. Engagement with Homes England will therefore continue to be necessary as options are identified and developed and in order to ensure Homes England remain satisfied with the Council's ability to deploy the HIF grant to support delivery of the relief road within the lifetime of the HIF programme. If it is not possible to satisfy Homes England of this capability and of the deliverability of the CTCRR scheme, then it is possible that the Council will lose the ability to utilise the HIF funding. Again, this underpins the importance of exploring all viable additional funding opportunities at this time in order to facilitate timely delivery of the CTCRR whilst utilisation of the HIF funding remains viable.

Risk Assessment:

The Cullompton Town Centre Relief Road is considered to be a strategic transport intervention which unlocks planned strategic growth as well as environmental and air quality improvements within Cullompton town centre. Historic England has made it clear that the award of the Heritage Action Zone monies in Cullompton was predicated upon a clear expectation of the delivery of the CTCRR. The relief road will also unlock early capacity at J28 M5 in advance of more significant junction intervention, allowing for planned growth within the adopted Local Plan to come forward. This planned growth is considered vital to sustain the pipeline of housing delivery in order to meet future Housing Delivery Test requirements and as such is also significant to the delivery of the recently adopted Local Plan. Failure to deliver homes within the required timeframe will significantly increase risk, with the prospect of unplanned development coming forward in other locations within the District.

Given the importance of the scheme to the District Council the risks of continuing to explore options for its delivery is deemed to be low in comparison to the implications of not pursuing its delivery.

Any emerging funding proposals will be the subject of detailed financial risk assessment. The project itself is subject to its own risk management procedures as part of its overall project management.

Should the District Council pursue a third round LUF bid, considerable time and effort will be needed. As with the previous two rounds there is no guarantee of success, however failure to develop and submit projects under this fund may represent a missed opportunity.

As part of the next steps Officers also propose to continue land assembly discussions so as to seek opportunities to de-risk the project and assist in unlocking the scheme's delivery.

Equality Impact Assessment: The scheme is subject to Equality Impact Assessment which demonstrates how the scheme will reduce economic and social inequalities, or promote wider growth and economic / job creation opportunities particularly as they impact the most vulnerable residents or hardest hit communities.

Relationship to Corporate Plan: The Cullompton Town Centre Relief Road contributes towards all four corporate priorities of economy, homes, community and environment and assists in the delivery of many of aims identified within the Corporate Plan.

Impact on Climate Change: The scheme aims to reduce the impact of traffic on the town centre and ease congestion. The Town Centre Relief Road has planning permissions and has demonstrated a net gain in biodiversity, a reduction in carbon and air quality improvements. The scheme incorporates walking and cycling improvements to the proposed new railway station and enhanced bus stop facilities.

1 BACKGROUND

- 1.1 At its meeting of the 28th June 2022 Cabinet agreed to submit a bid to the second round of the Levelling Up Fund in respect of the gap funding required to deliver the Cullompton Town Centre Relief Road. This followed disappointment in 2021 when the scheme did not receive funding through the first round despite very favourable feedback from government officials who considered it a strong bid. Opportunities were taken to further strengthen the bid for round two which was submitted in July 2022 – again with a very strong benefit-cost ratio and with the backing of many organisations and businesses from within Cullompton. Unfortunately, despite the high quality of our bid, this latest bid was also unsuccessful. To date, we have received no feedback with regard to the bid; however we have been informed that there will be a third round of the fund to be launched later in the year.
- 1.2 The Cullompton Town Centre Relief Road has planning permission, is already supported by Housing Infrastructure Funding (HIF) with associated expectations of delivery and is of strategic significance to Mid Devon. The Cullompton Town Centre Relief Road is considered to be a major strategic transport intervention which unlocks strategic growth within the district, as set out within the adopted Local Plan. As identified in the risk section of this report:
- Its delivery will unlock environmental and air quality improvements within Cullompton town centre;
 - Historic England has made it clear that the award of the Heritage Action Zone monies in Cullompton was predicated by a clear expectation of its delivery;
 - It will unlock early capacity at J28 M5 in advance of more significant junction intervention, allowing for planned growth within the adopted Local Plan to come forward. This planned growth is considered vital to sustain the pipeline of housing delivery in order to meet future Housing Delivery Test requirements and as such is also significant to the delivery of the adopted Local Plan; and
 - Failure to deliver homes within the required timeframe will significantly increase risk, with the prospect of unplanned development coming forward in other locations within the District.
- 1.3 The relief road scheme also includes associated works with regard to enhanced vehicular access, pedestrian and cycle provision in the Station Road corridor at the northern end of the relief road's connection with the existing road network. Inclusion of these aspects has an associated benefit to the realisation of connections along Station Road between the town centre, northern end of the relief road and proposed railway station site.

- 1.4 Officers have been working on additional funding options and have been discussing opportunities with various relevant parties. This report seeks approval to continue to investigate opportunities. This will include, but is not limited to, exploring options relating to development viability, future s106 requirements and investigating potential for adjusting the balance of requirements with regard to other planning obligations in order to enable the early delivery of the relief road. In parallel Devon County Council officers are reassessing the scheme to investigate whether any elements could be delivered by other funding sources which would help to reduce the overall funding gap or whether any cost savings can be generated without opening the council's up to the risk of cost over-runs or undermining the original objectives of the scheme.
- 1.5 Clearly, if any additional opportunities are identified to bring additional funding to bear on enabling the timely delivery of the relief road, the Council will need to be fully appraised of any key financial, reputational or programme risks it faces. This will be a key focus of work that officers will be looking to undertake and then report back to Cabinet for further consideration alongside details of any additional funding opportunity to be recommended.
- 1.6 It should also be noted that the current Homes England funded work to develop a business case to support a longer term solution to addressing capacity problems at Junction 28 of the M5 Motorway is being amended to incorporate the relief road within its proposals. Inclusion of the relief road could be beneficial should there be future funding opportunities through the pursuance of that wider scheme.
- 1.7 It should also be noted that discussions are ongoing with Homes England with regard to potential for continued utilisation of the £10m HIF funding.
- 1.8 A key component of the Cullompton Town Centre Relief Road scheme is land acquisition. Officers propose to continue to work with Devon County Council and its land agent with regard to land assembly. A particular issue currently exists with Tesco owned land which is in the flood plain which Tesco contest has retail value. Officers from both Councils will continue to liaise with Tesco plc to attempt to resolve this issue and Compulsory Purchase Order(CPO) capabilities exist in order to progress the matter through this route, as necessary

2 THIRD ROUND LEVELLING UP BID SUBMISSION

- 2.1 The Levelling Up Fund Round 3: Prospectus is yet to be published. It is likely that it will again focus on the following investment themes: Transport, Regeneration and Town Centre and Cultural. The timescale for bids is not currently available but it is likely that the Government will wish to determine bids for round three within this calendar year.

- 2.2 This third round provides an opportunity to apply for funding to fill the funding gap in the Council's well established Corporate Objective to deliver the Cullompton Town Centre Relief Road; however should the District Council pursue a third round LUF bid, considerable time and effort will be needed. As with the previous two rounds there is no guarantee of success, however failure to develop and submit projects under this fund may represent a missed opportunity. Until more information is available it is impossible to say whether the scheme would qualify to meet any changes in bid criteria, or indeed whether the scheme would remain within the available funding envelope for a district council submission. Should the scheme costs increase and the shortfall exceed £20 million, assuming similar rules to the last two rounds, it would need to be a submission undertaken by Devon County Council. Previous bidding windows have been relatively short and so this report seeks approval to continue to undertake work to prepare a third bid in readiness for future government announcements.
- 2.3 This third round fund will hopefully provide an opportunity for funding, but it is important to note that this report refers only to an application. If such an application is successful, Cabinet will be advised of the relevant terms and conditions and its approval sought to proceed in due course.

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Circulation of the Report: Cabinet Member seen and approved [yes/no – name of Cabinet Member], Cabinet, Leadership Team seen and approved [yes/no]

List of Background Papers:

13 May 2021 Cabinet Report

<https://democracy.middevon.gov.uk/documents/s21841/Levelling%20Up%20Fund%20-Cabinet%20Report%20v4%20210422.pdf>

28 June 2022 Cabinet Report

<https://democracy.middevon.gov.uk/documents/s25095/220628%20Levelling%20Up%20Fund%20-Cabinet%20Report%20V4.pdf>