

## DECISION ITEM

| REPORT OF                        | MEETING | DATE          | ITEM NO |
|----------------------------------|---------|---------------|---------|
| DEVELOPMENT SERVICES DIRECTORATE | COUNCIL | 25 MARCH 2019 | 9       |
| <b>M55 LINK ROAD</b>             |         |               |         |

### PUBLIC ITEM

This item is for consideration in the public part of the meeting.

### SUMMARY

The construction of a new purpose built link road from Lytham St Anne's to the M55 (junction 4) has been a transport priority for Fylde Council and Lancashire County Council since the 1990's and has been included in a number of corporate plans and strategic transport plans. It is a key infrastructure project in the recently adopted [Fylde Local Plan](#) and is seen as essential to the delivery of planned sustainable growth for the borough. The report requests draw down of a previously agreed financial contribution to assist with funding of the scheme in order to accelerate construction of the link road in advance of the delivery timetable required under the existing planning obligation.

### RECOMMENDATIONS

1. To approve a fully funded addition to the capital programme in 2019/20 of £1,000,000 fully funded from the M55 Link Road Reserve that was created in 2016/17 and to authorise the payment of £1,000,000 to Lancashire County Council towards the construction of the accelerated M55 link road based on Heads of Terms as detailed in the report.

### SUMMARY OF PREVIOUS DECISIONS

#### Council – 16 April 2018

1. To approve a funded budget increase in the sum of £250,000 for 2018/19 to the M55 Link Road (design works) scheme that is within the current approved Capital Programme, to be met in full from S106 developer contributions for delivery of the link road currently held by the Council for this purpose in the same sum; and
2. To note that the developer contribution is intended to provide funding for the design of the link road and consequently that payment of the total sum of £250,000 will be made to the appointed consultant engineering company and to Lancashire County Council in accordance with their respective costs.

#### Council - 4 December 2017

1. To approve a funded budget increase in the sum of £250,000 to the M55 Link Road (design works) scheme that is within the current approved Capital Programme for 2017/18, to be met in full from S106 developer contributions for delivery of the link road currently held by the Council for this purpose in the same sum; and
2. To note that the developer contribution is intended to provide funding for the design of the link road and consequently that the total sum of £250,000 will be made to the appointed consultant engineering company and to Lancashire County Council in accordance with their respective costs.

#### Council – 4 July 2016

1. Approve the establishment of a specific 'M55 Link-road Reserve' to meet the cost of any financial

contribution from the Council towards the cost of construction;

2. Approve the transfer of £196k from the Capital Investment Reserve into the M55 Link-road Reserve;
3. Request that officers investigate further funding opportunities, including the achievement of additional income/savings from budget right-sizing exercises which could be considered for potential transfer into the M55 Link-road Reserve;
4. Approve an 'in principle' contribution of up to £1m towards the cost of construction of the M55 link road up to 2019, with a further report detailing how the remainder of the required contribution may be identified;
5. Agree the Heads of Terms to establish the conditions that should be attached to the approval of the above financial contribution and that these conditions form the basis of a detailed agreement between all parties;
6. That the Councils programme committees be instructed to consider new capital schemes only where they are urgently required for health and safety reasons or where there is strong business case to protect/enhance existing revenue or create a revenue income stream in order that priority is given to accumulating a sufficient contribution towards delivery of the M55 link road scheme;
7. Approve the attendance and involvement of the Leader and Deputy Leader of the Council, along with relevant officers as appropriate, to continue discussions and meetings with the different parties with the aim to reach a solution to funding the accelerated construction of the M55 link road;
8. Agree that a further report be prepared for Council when the outcome of the discussions above are finalised in order that Members may consider the final details of the agreement, together with any associated specialist legal or other advice implications and how the contribution from the Council would be funded; and
9. Approve an addition to the capital programme for 2016/17 in the sum of £424,765.02, which has been met in full from the balance of S106 developer contributions for construction of the link road currently held by the Council for this purpose in the same sum. The developer contribution is intended to provide funding for the design and the contractual management of the link-road scheme by Lancashire County Council, and Members are requested to note that this payment has been made in accordance with the terms of the planning obligation.

#### Other decisions

The council has previously on many occasions agreed the priority to achieve the construction of the M55 link-road. These are contained in a series of strategic plans and policies which are highlighted in sections 1 to 4 of the report.

### CORPORATE PRIORITIES

|                                                                                                              |   |
|--------------------------------------------------------------------------------------------------------------|---|
| Spending your money in the most efficient way to achieve excellent services ( <b>Value for Money</b> )       | √ |
| Delivering the services that customers expect of an excellent council ( <b>Clean and Green</b> )             |   |
| Working with all partners ( <b>Vibrant Economy</b> )                                                         | √ |
| To make sure Fylde continues to be one of the most desirable places to live ( <b>A Great Place to Live</b> ) | √ |
| Promoting Fylde as a great destination to visit ( <b>A Great Place to Visit</b> )                            | √ |

## REPORT

### BACKGROUND

1. The construction of a new purpose built link road from Lytham St Anne's to the M55 (junction 4) has been a transport priority for Fylde Council and the County Council since the 1990's and has been included in a number of corporate plans and strategic transport plans. It is a key infrastructure project in the recently adopted [Fylde Local Plan](#) and is seen as essential to the delivery of planned sustainable growth for the borough.
2. Council considered a report in July 2016 which set out the case for Fylde Council to pledge financial support towards the accelerated construction of the M55 link road (from School Lane to North Houses Lane near

Cypress Point). After a full discussion, Council resolved to approve an 'in principle' contribution of up to £1m towards the cost of accelerated construction of the M55 link road.

3. The planning history of the road, its links to the Queensway development and the benefits of accelerated construction were covered in the previous report considered by Council.

#### PROGRESS SINCE JULY 2016

4. Since council agreed to the principle of making a contribution towards accelerated construction of the road in July 2016, there have been two further decisions to approve the use of developer contributions to provide funding for the design of the link road ([July 2016](#), [December 2017](#) and [April 2018](#)).
5. A project board meets regularly to review progress which is attended by LCC officers and Portfolio Holder, FBC officers and Leader/Deputy Leader, The MP, The LEP and Kensington Development Ltd.
6. During this time progress has been made in completing the design of the link road and planning applications are currently under consideration by LCC's Planning Service to incorporate changes to the approved scheme that have been made in developing the detailed scheme.
7. A contract/s for pre commencement works has been let by LCC to redirect utilities affected by the construction of the new link road.

#### THE PROJECT

8. The project is defined as a 2.5km high quality road link allowing significantly improved access to proposed new development (residential and commercial), as well as improving access between Junction 4 of the M55 and Lytham St Annes. The scheme will crucially provide additional highway capacity and unlock access to significant development sites identified in the Lancashire LEP's Strategic Economic Plan and Fylde Council's Local Plan to 2032, located to the north of Lytham St Annes.
9. The previous report in 2016 estimated the cost of the link road at £16.8m. This was based on an earlier estimate provided at the time the Queensway development was determined at appeal in 2012. As the design has progressed the cost estimate for construction of the link road has been reviewed.
10. The detailed design of the link road has progressed with two alternative options for the delivery of the southernmost section of the scheme.
  - a. The Constrained option – Estimate £26.2m (includes £5.6m Risk, Optimism bias £530k). This option would see the construction of the link road in line with the scheme that was originally granted planning permission. This includes building part of the southern section of the road within the confines of the existing highway boundary which would result in a scheme that would have a slightly narrower carriageway with narrowed footpath/cycleway provision, both when compared to the remainder of the link road. Working within the constraints of the existing highway would mean that the road would be constructed atop a vertical retaining structure.
  - b. The Unconstrained option – Estimate £27.2m (includes £5.6m risk and £580k optimism bias). This proposal would require the acquisition of additional land in order to deliver a consistent width of carriageway and segregated cycleway/footway along the whole length of the route and would allow the construction of a sloped embankment rather than the retaining structure proposed in the constrained scheme.
11. Negotiations have been underway for several months with the owner of the land which the constrained highway runs through. So far negotiations have been unsuccessful in securing agreement to acquire additional land to allow the unconstrained road to be built. If agreement cannot be reached then the constrained option would be built. This would mean that for approx. 230m the carriageway would reduce from 9.3 m to 6.5m in width. Whilst the construction of the constrained section is more technically complex and is not the preferred option it would be to a standard acceptable for use as an 'A' road and that has been accepted by Highways England who have provided funding towards delivery of the road as well as having the benefit of full planning permission.
12. Other land required to construct the link road which is in the ownership of Kensington Development Ltd is in the process of being transferred to Lancashire County Council.

## FUNDING

13. The developer (Kensington Developments Ltd) is required, through a planning obligation under s.106 of The Town and Country Planning Act 1990, to fund the construction of the new link road in three phases linked to construction, sales and occupancy of dwellings at 150, 300 and 425 dwelling trigger points, though such numbers are likely to take several years to be achieved which would influence when funds would be available to commission the whole project.
14. Accelerated construction of the link road involves ensuring the road is commissioned as soon as possible as a single contract using funding from several sources. Private sector funding from Kensington Development Ltd (KDL), the developer of Queensway is proposed at £7m. Unlike the original scheme, the accelerated scheme requires KDL to provide a single upfront payment instead of meeting the full cost of the road over three separate trigger points based on build out of the overall scheme which would take several years to be achieved.
15. Local authority contributions from both LCC and FBC totals £2.7m whilst third party contributions totalling £15.57m have been secured from regional and national growth and investment funds. These latter grants are aimed at boosting house building and infrastructure works. The current list of sums is shown below in table 1.

**Table 1 – List of funding sources for construction of M55 Link Road**

| Funding source                                                      | £m            | Funding status                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Private sector contributions</b>                                 |               |                                                                                                                                                                                                                                                                                                                                                                                     |
| Developer (Kensington)                                              | £7.00         | Letter of commitment provided.<br>Confirmation of final agreement and legal agreement to be in place before award of contract.                                                                                                                                                                                                                                                      |
| <b>Local authorities</b>                                            |               |                                                                                                                                                                                                                                                                                                                                                                                     |
| Lancashire County Council                                           | £1.70         | LCC Cabinet approved funding in principle on 10 August 2017<br>Report to be considered by LCC Cabinet in May 2019 on outcome of the tenders submitted, confirmation of total funding in place, approval of any further underwriting of costs and award of contract.                                                                                                                 |
| Fylde Borough Council                                               | £1.00         | FBC Council approved principle of contribution on 4 July 2016<br>Report to 25 March 2019 Council to seek approval for draw down of £1m from earmarked reserve                                                                                                                                                                                                                       |
| <b>Third party contributions</b>                                    |               |                                                                                                                                                                                                                                                                                                                                                                                     |
| Lancashire Enterprise Partnership<br>Local Growth Fund              | £1.98         | Funding agreed subject to a Business Case which demonstrates that the scheme will deliver high value for money.<br>Report to be considered by LEP Board in late April 2019.<br>Accountable body - LCC                                                                                                                                                                               |
| Growth and Housing Fund<br>(Highways England)                       | £4.78         | Scheme has progressed to second stage Investment decision expected before the end of the year. A decision on this is linked to the HCA loan to KDL.<br>Accountable body - LCC                                                                                                                                                                                                       |
| National Productivity Investment<br>Fund (Department for Transport) | £5.00         | Funding approved and available from April 2018.<br>Accountable body - LCC                                                                                                                                                                                                                                                                                                           |
| Housing Investment Fund (Homes<br>and Communities Agency)           | £3.81         | Funding approved and available subject to the completion of a Grant Determination Agreement.<br>Accountable body – FBC<br>This funding element will be the subject of a further report in due course in order that as accountable body the Council's Capital Programme can be updated to reflect receipt of the grant and pass-porting of the funding to LCC to deliver the scheme. |
| <b>TOTAL AVAILABLE FUNDING</b>                                      | <b>£25.27</b> |                                                                                                                                                                                                                                                                                                                                                                                     |

## PROCUREMENT

16. The commissioning of the overall project is being undertaken by Lancashire County Council as the local highway authority. The completed link road will be adopted as a highway by LCC.
17. Lancashire County Council have commenced procurement of the contract to construct the link road with a shortlist of suitable contractors being selected. The tender return date is currently 3rd May 2019. The evaluation of returned tenders is 7th May to 24th May 2019. Award of contract is anticipated on 30th May 2019 with contract commencement date of 15th July 2019. The latest Contract award date possible is 1st Oct 2019. Any delays after this date will require the whole procurement exercise to be discarded and rerun.
18. The competitive procurement exercise will cover relevant value for money considerations, along with ensuring relevant outputs and outcomes are achieved in line with LCC's requirements as the highways authority. A detailed cost breakdown of the scheme will only be available once the procurement exercise is completed by LCC.

## TIMETABLE

19. If there are no delays and the contract is awarded as proposed above it is likely that the selected contractor would be mobilising the works during August with construction commencing in September 2019.
20. The construction of the road across the unstable ground of the moss requires the technique known as surcharging where the ground is preloaded with aggregate in order to compress and stabilise the ground. Each section of preloading takes several months before main construction can take place. Overall it is estimated that the link road construction contract will take around 30 months with an estimated completion date of March 2022.

## FINANCIAL CONSIDERATIONS

21. Before this council's capital contribution to the project can be made, it will be necessary to agree Heads of Terms to establish the conditions that should be attached to the approval of the above financial contribution and that these conditions form the basis of a detailed agreement between all funding parties. Likely matters for inclusion in the Heads of Terms include:
  - a. The grant made by Fylde Council is to achieve an accelerated construction and delivery of the M55 Link Road significantly in advance of that linked to the delivery of the Queensway housing development.
  - b. The council's contribution of £1m would not be paid unless all other funding bodies have agreed their contributions and that the overall project is fully funded at the point of awarding the contract to construct the link road.
  - c. The council's contribution of £1m would be payable to LCC in stages when certain milestone payment stages (to be agreed) have been reached.
  - d. The council's contribution must be acknowledged where appropriate in all publicity that refers to how the funding of the M55 Link Road is made up.

| IMPLICATIONS                            |                                                                                                                                                                                                                                                               |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Finance                                 | The Council's contribution of £1m towards the capital scheme is fully funded from the M55 Link Road earmarked reserve which was established for this purpose. There are no ongoing revenue financial implications for Fylde Council arising from this scheme. |
| Legal                                   | The contribution would be made under the council's power of general competence under section 1 of the Localism Act 2011, and in pursuance of the council's powers to promote the economic development of its area.                                            |
| Community Safety                        | None                                                                                                                                                                                                                                                          |
| Human Rights and Equalities             | None                                                                                                                                                                                                                                                          |
| Sustainability and Environmental Impact | None                                                                                                                                                                                                                                                          |

|                                     |      |
|-------------------------------------|------|
| Health & Safety and Risk Management | None |
|-------------------------------------|------|

| LEAD AUTHOR            | CONTACT DETAILS                                                                                                                                                            | DATE       |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Paul Walker/Mark Evans | <a href="mailto:Paul.walker@fylde.gov.uk">Paul.walker@fylde.gov.uk</a> and<br><a href="mailto:mark.evans@fylde.gov.uk">mark.evans@fylde.gov.uk</a><br>Tel 01253 658431/460 | March 2019 |

| BACKGROUND PAPERS                             |           |                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of document                              | Date      | Where available for inspection                                                                                                                                                                                                                                                                                                                                            |
| Fylde Coast Highways and Transport Masterplan | July 2015 | <a href="http://www.lancashire.gov.uk/council/strategies-policies-plans/roads-parking-and-travel/highways-and-transport-masterplans/fylde-coast-highways-and-transport-masterplan.aspx">http://www.lancashire.gov.uk/council/strategies-policies-plans/roads-parking-and-travel/highways-and-transport-masterplans/fylde-coast-highways-and-transport-masterplan.aspx</a> |

Attached documents

Appendix A – Plan of M55 Link Road (constrained scheme)