

DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
LEADER OF THE COUNCIL	COUNCIL	4 JULY 2016	7
M55 LINK ROAD			

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 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 draft Local Plan and is seen as essential to the delivery of planned sustainable growth for the borough. The report proposes pledging a financial contribution to assist with funding of the scheme to accelerate construction of the link road in advance of delivery through that which is required under the existing planning obligation.

RECOMMENDATIONS

Council is recommended to:

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.

SUMMARY OF PREVIOUS 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 (Value for Money)	√
Delivering the services that customers expect of an excellent council (Clean and Green)	
Working with all partners (Vibrant Economy)	√
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	√
Promoting Fylde as a great destination to visit (A Great Place to Visit)	

BACKGROUND

STRATEGIC CONTEXT

1. The principle of developing an improved link to the M55 motorway was established in the former adopted Fylde Local Plan 1996 - 2006 (Policy TR6) (adopted 1994) and the Lancashire County Structure Plan 1991 –2006 ‘Greening the Red Rose County’ (Policy 34) (adopted February 1997).
2. Subsequent to that, various documents have referred to the road scheme to varying degrees as follows:
 - Lancashire Local Transport Plan 2001/02 - 2005/06 (Lancashire County Council)
 - Joint Lancashire Structure Plan (JLSP) 2001 - 2016, Adopted March 2005 (Lancashire County Council, Blackburn with Darwen & Blackpool Councils)
 - Central Lancashire City Region, Sub-Regional Strategy, First Detailed Proposals, March 2005 (Lancashire County Council, Blackburn with Darwen & Blackpool Councils)
 - Ambition Lancashire 2005 –2025, Strategic vision for the future of Lancashire (Lancashire Partnership)
 - Fylde Local Plan 1996 – 2006 – Alterations Review, Adopted October 2005 (Fylde Borough Council)
 - Lancashire Local Transport Plan 2006 - 2010 (Lancashire County Council)
 - Fylde Council Economic Development Strategy and Action Plan - 2012 to 2030, Adopted January 2013 (Fylde Borough Council)

- Fylde Coast Highways and Transport Masterplan 2015 – 2032 (Lancashire County Council)
 - The Fylde Coast Framework for Inclusive Growth & Prosperity – 2015 to 2020, Adopted June 2016 (Blackpool, Fylde and Wyre Economic Development Company)
 - The Fylde Local Plan to 2032 – Draft Publication Version – June 2016 (Fylde Borough Council)
3. In February 2016, Council agreed the Corporate Plan which runs from 2016 to 2020. The plan contains five themes. One of the priorities over the next four years under the theme 'A vibrant economy' is 'Improve the transport infrastructure and traffic flow'. An agreed action to deliver this is; 'Progress the re-opening of the M55/ Moss Road link'.
 4. For a number of years it has been this Council's aim of delivering an improved road link between Lytham St Anne's and the M55 motorway.

PLANNING HISTORY

5. It has previously been the intention that the cost of the new link road would be met from developer contributions. The Northern section from the A583 to School Road has already been completed by the developer on the back of the B&Q Store. Whilst the Southern section from Heyhouses Lane to North Houses Lane was funded and constructed from the development of Cypress Point.
6. The middle section from School Road to North Houses Lane (Cypress Point) is planned to be built on the back of the development of Queensway for housing.
7. The Council received a planning application for housing on this site in 2008. Due to the extensive issues which required assessment determination was delayed and subsequently the developer lodged an appeal for non-determination. The appeal was called in by the Secretary of State who refused it in June 2010, contrary to the Inspector's recommendation. This decision was challenged and then quashed by order of the High Court in December 2010.
8. A new inquiry took place in January 2012. In order to enable the Secretary of State to consider the relationship between the housing site and the M55 link road he directed that the M55 link road application be referred to him instead of by the relevant local planning authority, Lancashire County Council, who were minded to approve.
9. The inspector recommended approval of both the housing appeal and link road application and the Secretary of State in June 2012 agreed with the inspector's conclusions and recommendations and granted planning permission. The permission requires that development shall commence not later than five years from the date permission was granted.

CURRENT SITUATION

10. In the absence of a new purpose built link road many drivers have used the old single carriageway moss road between School Lane and North Houses Lane near Cypress Point as a preferred route between Lytham St Anne's and junction 4 of the M55. Although this link had a weight and width restriction the length between School Road and Annas Road became damaged in late 2014 and was closed by LCC.
11. During this time the closure of the moss road has caused severe congestion and inconvenience to residents and visitors to the borough. This has also resulted in an economic restriction for the borough until either the moss road is repaired and reopened or the new link road is built.

PROVISION OF THE LINK ROAD THROUGH DEVELOPMENT OF QUEENSWAY

12. 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, 425 dwelling

trigger points. The trigger points set allow the developer to raise funds for the construction of each phase from housing sales achieved.

13. The three phases are:

1. Cropper Road/School Road roundabout to Annas road;
2. Annas Road up to where it meets the east-west road at a new roundabout (Moss Sluice);
3. East west roundabout (Moss Sluice) to previously upgraded road (Lytham St. Anne's Way)

Current estimates indicate the total cost of the whole link road to be £16.8m and that these three phases would be complete around 2024 (based on predicted build out rates).

14. The first phase would be the construction of a new section of road to replace the section of the damaged moss road which would then link back to the remaining moss road. This means the link to the M55 could in theory be reopened by 2020 although still requiring use of a substantial section of single track moss road which would have a weight and width restriction.

15. Whilst Lancashire County Council is willing to budget the estimated £1.7m required to replace the section of damaged moss road sooner, many consider this to be poor value for money if a solution can be sought to achieve an acceleration of the new link road.

OPTION TO ACCELERATE CONSTRUCTION OF LINK ROAD

16. The Council has been involved in talks with the developer Kensington Developments Ltd, Lancashire County Council (Highways) and the Local Enterprise Partnership (LEP) to investigate options for securing early construction of the new link road.

17. During 2015 an expression of interest was submitted through the LEP for central government Growth Deal ¹funding towards the construction of the new link road. The sum of £1.98m of Growth Deal grant was allocated by the LEP subject to full business case evaluation. The bid assumed that a further £2m 'local contribution' would be sourced locally as match funding.

18. Since then talks have explored a number of options using a combination of £1.98m Growth Deal funding, £1.7m contribution from LCC in lieu of repairing the damaged moss road, £0.425m from previous s.106 agreements, a yet to be defined £2m 'local contribution' and the remainder from the developer in the form of loans secured ahead of achieving house sales.

19. The developer in this scenario would take out a loan to enable delivery of the first phase of the road allowing for the damaged section of moss road to be bypassed and the link reopened. Construction of the second phase would however be linked to the sale/occupation of 150 dwellings which could take at least three years to deliver and possibly longer. Although this scenario accelerates a start on the project it doesn't guarantee completion with any certainty.

20. Recently another potential source of funding for the road has been identified through Highways England under their Growth and Housing fund. An expression of interest was submitted by LCC for a grant of up to £4m. Initial feedback from Highways England has been positive as it has been modelled that acceleration of the new link road to connect with junction 4 of the M55 would help reduce congestion on and around junction 3 of the M55 with a reduction in traffic along the A585 through Wesham and Kirkham and also through Ballam/Wrea Green to reach Lytham.

21. Whilst an announcement is expected shortly on the outcome of the application to Highways England discussions have taken place to examine different scenarios to accelerate construction of the new link road.

22. The objective is to secure grant funding, local contributions and up front loans taken by the developer to construct a replacement road as a single project completed as soon as possible. To

¹ Growth Deals provide funds to local enterprise partnerships or LEPs (partnerships between local authorities and businesses) for projects that benefit the local area and economy

wait for build out rates and market sales of houses will take in excess of 10 years during which time economic opportunities would be lost and considerable barriers to residents, visitors and workers to the borough.

BENEFITS OF DELIVERING AN ACCELERATED NEW LINK ROAD TO THE M55

23.The advantage of a new road delivered in one contract, achieving certainty of delivery and maximising efficiencies in the letting of the contract include:

- Reducing congestion on all major roads in St Anne's/Queensway as drivers would travel a more direct route to reach the M55.
- Reducing congestion on roads in Wesham, Kirkham, Ballam and Wrea Green as more traffic would use junction 4 instead of junction 3 to access Lytham.
- Generating economic activity and growth by unlocking development potential for over 1,150 new homes, and also enhancing the ability of the council to resist pressure to build homes elsewhere?
- Unlocking previously dormant employment sites to encourage inward investment and create jobs.
- Providing a strategic link between the main housing (Lytham St Anne's) and employment (Whitehills/Whyndyke/Blackpool Periphery) areas in the borough which has been a stated aim of Fylde Council in a series of key policy documents for many years.
- Provide the infrastructure to facilitate the provision of public transport and cycle links between these strategic areas to promote sustainable transport.
- Support growth that will promote accelerated prosperity for the borough and secure more sustainable long term ongoing revenue for the council through business rate growth retention.

LOCAL CONTRIBUTION

24.A local contribution towards the project was part of the original Growth Deal submission and the LEP has asked if Fylde Council would provide a local contribution. The benefit of this for Fylde is considerable including; the reduction of congestion; improving the quality of life through traffic easement; promoting economic activity and growth; and opening up development of over 1,150 properties which would help achieve a number of the council's agreed corporate aims and objectives. The council has responsibility for promoting economic development, regeneration, housing, quality of life, wellbeing and job growth and a local contribution would be consistent with these priorities.

25.A local contribution of up to £2m was identified within the Growth Deal submission, although it was not stated where this contribution should come from, it is the responsibility of the partners to identify this in order to secure the Growth Deal funding. It has been stated throughout the discussions over the Growth Deal that Fylde cannot guarantee any contribution. However consideration of the responsibilities the council has for economic development and growth, the financial value of unlocking developments alongside the M55 Link Road as well as the ongoing traffic problems for residents and visitors, indicate a strong case to support the council making a local contribution that will help secure the Growth Deal funding (LEP), the Highways England grant and a contribution from LCC.

26.Lancashire County Council, not Fylde Council, is the highways authority and has the lead responsibility for maintenance and development of the local highway network. It therefore not considered appropriate or realistic for Fylde to contribute the whole of the required £2 million. However in order to leverage the other funding and secure an early solution that will deliver a new

road in a single project as soon as possible, bringing the benefits set out earlier in the report, it is recommended that Fylde contributes up to £1 million. This figure is a considerable amount from Fylde Council but is appropriate and manageable to achieve the benefits early construction would achieve and in line with the responsibilities of the district council.

FINANCIAL CONSIDERATIONS

27. The Council held for some time a number of contributions made over several years from previous developments at Whitehills made by Kensington Developments Ltd towards the cost of the link road. These total £424,765.02 and were payable on request by the landowner of the link road (which is also Kensington Developments Ltd.). A request was received in April and the payment made to LCC (with the agreement of Kensington Developments Ltd.) which will fund the design and letting of the contract to construct the link road.
28. It is recommended that if Members agree to the principle of Fylde Council making a contribution of up to £1m towards the cost of the construction of the new link road that this sum be accumulated within a specific 'M55 Link-road Reserve'.
29. The Finance and Democracy Committee at its meeting on 20th June approved the 2015/16 financial outturn report which included the transfer of £196k to the Capital Investment Reserve. In recent years the Council has made good progress in funding a number of projects and currently has an active capital programme across all the programme committees. In order to give focus to delivery of the new M55 link road Members are now requested to approve the transfer of the sum of £196k from the Capital Investment Reserve into the M55 Link-road Reserve.
30. The Council is requested to note that that officers will investigate further funding opportunities to add to the level of monies held within the M55 Link-road Reserve, including the achievement of additional income/savings from budget right-sizing exercises, which could be considered for potential transfer into the reserve. In order to assist in the accumulation of the required level of funding it is recommended that, for the next few years, 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.
31. Discussions to secure an agreement have benefitted from the input of the Leader and Deputy Leader along with the MP. It is proposed that the discussions continue with Council approval to commit a contribution of up to £1m from Fylde to secure accelerated construction of the new link road.
32. In committing any financial support it is recommended that certain terms are agreed. These could include:
 - 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. *(A specific detailed project timetable should be agreed and referred to that sets out this objective).*
 - The grant made by Fylde Council requires all parties to the project to use their best endeavours to ensure delivery of the M55 Link Road and reserves the right to reduce or withdraw its contribution if it believes that any party has not done so. *(This may be difficult to objectively measure and judge).*
 - The grant is payable on the basis of appropriate contributions from other partners *(which would specified).*
 - The offer of a grant from Fylde Council may be reduced or removed if the contributions from other partners are reduced either through a reduction in the cost of the overall project or if any application for additional grant funding towards the project is successful

- The contribution from Fylde Council must be acknowledged where appropriate in all publicity that refers to how the funding of the M55 Link Road is made up

33. It is proposed that the above terms form the basis of an agreement with the different parties to protect the council's investment. Specialist legal and other advice may be required to ensure that any agreement protects the council's interests to the maximum possible extent.

IMPLICATIONS	
Finance	<p>This report details the option for Fylde Council to make a financial contribution towards the construction of a new purpose built link road from Lytham St Anne's to the M55 (junction 4).</p> <p>The report requests that the Council:</p> <ol style="list-style-type: none"> 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. 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 held by the Council for this purpose in the same sum.
Legal	<p>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. Nevertheless, it is necessary to consider whether the proposed public sector contributions (including the council's proposed contribution) might amount to state aid, which is subject to strict control under EU law.</p> <p>The existing position is that Kensington is obliged to build the road as and when certain trigger points are met. Those trigger points are within the control of Kensington, as they depend on the build-out of houses on its Queensway development. If the development does not reach the final trigger point, the road would not be completed.</p> <p>The financial effect on Kensington of the proposed public sector contributions to the building of the road is that</p>

	<p>certain costs which (if the relevant trigger points are met) would be borne by Kensington, would instead be paid by the public sector. These would need to be set against the costs to Kensington of early financing of the initial construction costs, which would otherwise be met by receipts from the sale of houses on the Queensway development.</p> <p>If Kensington would obtain a material financial benefit, it would be wise, should members accept the recommendations in the report, to obtain specialist advice on whether state aid rules would be engaged by the proposed public sector contributions</p>
Community Safety	None
Human Rights and Equalities	None
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

LEAD AUTHOR	TEL	DATE	DOC ID
Councillor Sue Fazackerley		June 2016	

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

Attached Documents - none