



Date: 5<sup>th</sup> December 2022

My Ref:

Your Ref:

Contact: Chris Tambini

Phone: 0116 305 6199

Fax:

Email: [Chris.tambini@leics.gov.uk](mailto:Chris.tambini@leics.gov.uk)

Dear Mr Harper,

As Section 151 Officer for Leicestershire County Council (“LCC”) I am writing to provide the financial position in respect of the Full Business Case (“FBC”) that the authority has submitted to the Department for Transport’s (“DfT”) Large Local Majors funding in relation to the North & East Melton Mowbray Distributor Road (“NEMMDR”). I confirm that the scheme costs included in this FBC are accurate to the best of my knowledge.

Given the extraordinary change in financial landscape since the submission of the Outline Business Case and since the Council finalised its Medium-Term Financial Strategy in March 2022, LCC’s Cabinet will consider whether it can allocate the necessary funding to progress the scheme at its meeting on the 16<sup>th</sup> December 2022, as the requirement is outside of the allocated budget.

A decision to proceed will represent a £47.8m capital commitment for LCC. I consider this will have in the region of £4m revenue cost implication per annum. LCC has been disappointed in DfT’s response to the issues experienced by all Council’s delivering major schemes through funding streams determined a number of years ago and the lack of action to address the impacts of inflation on capital infrastructure delivery. I would ask the Department to reconsider this position, particularly on additional funding allocations, to minimise the impact this will have on wider Council services and the ability of LCC to support and unlock growth in other areas of Leicestershire.

This impact is particularly severe given that high inflation levels, coupled with an ever-increasing demand for core services, is presenting a challenge across the whole local government sector. However, as a very low-funded authority Leicestershire is much worse placed than most to be able resolve the problem. More details on the financial challenges facing LCC is available in a September report to Cabinet available [here](#).

Should LCC’s Cabinet decide to approve progressing of the scheme it will do so in the knowledge that at present LCC will accept responsibility for meeting costs of delivering the scheme over and above the DfT’s contribution, including potential cost overruns, and the underwriting of any third-party contributions. Therefore, subject to Cabinet’s decision to fund the scheme, I will confirm the Council will allocate sufficient budget to

#### Corporate Resources

Leicestershire County Council, County Hall, Glenfield, Leicestershire LE3 8RB

Email: [resources@leics.gov.uk](mailto:resources@leics.gov.uk)

Chris Tambini, Director of Corporate Resources

[www.leicestershire.gov.uk](http://www.leicestershire.gov.uk)

deliver the scheme on the basis of its proposed funding contribution. I will also confirm the authority's future commitment to maintaining the road.

The FBC includes a total local contribution of £65.8m. This includes a £47.8m commitment by the County Council towards the delivery of the scheme. Needless to say, in light of the above this is a major investment with far reaching implications.

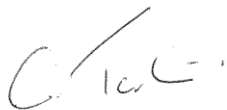
In addition, I must reiterate that any decision by LCC's Cabinet to proceed would be based on current target price. It is essential that the FBC and DfT funding is confirmed in a timely manner (no later than 12 weeks), or the target price will no longer be valid. With current levels of inflation any delay is significant and pausing to programme to reprice the contract and resubmit the business case will increase costs significantly. LCC would not be able to proceed should this happen. Whilst at present we acknowledge DfT offer no additional funding, I hope support can be provided to manage risk of future cost increases. It would be incredibly damaging to both LCC and DfT's reputation with Leicestershire residents if the Cabinet were to approve delivery only to be undermined by lack of FBC approval.

The remainder of the local contribution, i.e. £14m, will come from private sector (developer) contributions. LCC will forward fund the developer contributions in advance of the receipt.

Leicestershire County Council recognises the substantial benefits the scheme would deliver and the good value for money it offers despite the cost increases.

In light of the above I suggest that we meet to discuss the contents of this paper as soon as possible and before the 16<sup>th</sup> of December to enable any feedback to be considered by Cabinet.

Yours sincerely



Chris Tambini  
Director of Corporate Resources

**Corporate Resources**

**Leicestershire County Council, County Hall, Glenfield, Leicestershire LE3 8RB**

**Email: [resources@leics.gov.uk](mailto:resources@leics.gov.uk)**

**Chris Tambini, Director of Corporate Resources**

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