

## APPENDIX 3

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Dear Pat,

### CONNECTING DERBY PHASES 2 AND 3

You will recall that Martin Wells of DfT wrote to you on 27 May 2005 following detailed discussions with your Council about the increased cost of Phases 2 and 3 of the Connecting Derby major scheme. His letter explained that Ministers were minded to provide a maximum contribution of £26.73m (including £2.484m already paid for the Westfield Development element) towards the cost of Phases 2 and 3 providing the Council also contributed £5m and funded the King Street Link element at a further cost of £2m. Your Council subsequently confirmed its agreement to proceed on that basis. Martin Wells' letter of 26 January 2006 informed you that Ministers had accepted the offer and were content to provide the £26.73m towards the construction of Phases 2 and 3 of the scheme subject to the satisfactory completion of the economic appraisal and the scheme being prioritised in the East Midland Regional Funding Allocation advice.

The economic appraisal has now been completed and shows that Phases 2 and 3 of the scheme offer very high value for money. The scheme has also been given a high priority within the RFA advice. Consequently, I am pleased to say that Ministers have now agreed that Phases 2 and 3 of the Connecting Derby scheme be awarded Programme Entry at an approved cost of £26.73m (including £2.484m already paid for the Westfield Development element). The Department for Transport is prepared to grant funding to this scheme on the understanding that its contribution will be a maximum of £26.73m in cash terms. Any inflationary risks as a result of delay to the scheme, or any other factors leading to an increase in the estimated scheme cost, would be for Derby City Council to meet.

Ministers accept the case for the scheme as presented in your Business Case and will be prepared to fund up to £26.73m of the scheme's costs with the following provisions:

- The gross and net costs of the scheme remain unchanged.
- The scheme design and the value for money it offers remain significantly unchanged.
- Satisfactory completion of statutory procedures.
- The scope for securing developer contributions towards the cost of this scheme will be explored in detail.

- Suitable consultation with the relevant Statutory Environmental Bodies.

If any of the conditions of the provisions outlined above are breached, the Department reserves the right to withdraw approval of the scheme or there may be no legal basis on which it can proceed so that Full Approval cannot be given. Programme Entry of the scheme does not mean that the Department accepts the authority's timings for the scheme being progressed. This issue will be discussed and finalised as and when the scheme returns for Conditional or Full Approval, taking into account, amongst other criteria, overall prioritisation and availability of funding.

This decision is given solely in respect of the appraisal case for this scheme and is entirely without prejudice to any view that the Secretary of State, or other Ministers, may take on any future application for statutory powers or in accordance with any other functions. As mentioned above, you should work closely with the Statutory Environmental Bodies to ensure that appropriate environmental mitigation measures are incorporated as the scheme is taken forward.

We will consider requests for funding as and when the scheme returns for Full Approval. Funding allocations need to be confirmed each year and are open to amendment and Ministers reserve the right to reconsider their decisions on this scheme if the outcomes of the statutory process lead to any significant changes to the scheme. We can give no guarantees on meeting any increase in costs over and above the Department's agreed total contribution.

We expect you to keep us closely informed of progress with the scheme and it is important that you complete and return half yearly monitoring forms by the due date. Should the scheme proceed to construction, you will be required to carry out a full evaluation of the scheme and to make the results of this evaluation available to the Department.

Yours sincerely,

DALE OSCROFT  
Head of Transport Policy