



## Connecting Derby Approval of Funding

### RECOMMENDATION

- 1.1 To note the level of additional reappraisal work that has been carried out and the significant amount of discussion that has been carried out with Department for Transport, DfT, since July 2003.
- 1.2 To note that DfT is prepared to contribute an additional £9.23m towards the overall capital costs for Connecting Derby, subject to the Council approving it's contribution.
- 1.3 To approve that the Council underwrites a contribution of £7m towards the overall capital costs for Connecting Derby.

### SUPPORTING INFORMATION

- 2.1 Due to affordability issues at a national level DfT are not able to contribute the full amount of additional funding required to complete the Connecting Derby Scheme.
- 2.2 Connecting Derby was approved by Government as an Integrated Transport Scheme in December 2000, and the project was to commence in April 2001 and be completed by March 2006, at a total scheme cost of £23.38m. Funding for this was to be £22.25m from DfT and the remainder from external funding sources such as European Objective 2 and Townscape Heritage Initiative, THI, lottery funding
- 2.3 However since approval was given costs for the whole scheme have substantially increased and are now assessed to be £38.48m, an increase of £15.1m. If we exclude any external contributions, the total scheme funding gap is **£16.23m**.
- 2.4 Phase 1 of Connecting Derby, the new junction on St Alkmund's Way enabling traffic to be removed from both Albert and Victoria streets and the refurbishment of these streets along with Strand and Bold Lane, has now been successfully completed at a total cost of £5.2m. This was the original estimated cost of Phase 1 and has been funded using a combination of DfT and external contribution. The DfT contribution was £4.75m and the external contribution from Objective 2 and THI totalled £450,000.
- 2.5 Because of the delays and additional costs for the remaining parts of the scheme these have been now re-classified as 'Work in Progress' and a full re-appraisal has had to be undertaken. The estimated cost the remaining works, Phases 2 and 3 is £33.28m.

- 2.6 The first re-appraisal document was submitted in March 2004. At the request of DfT further re-appraisal work was carried out which considered two other alternatives to completing the whole of Connecting Derby. These alternatives looked at what could be completed for approximately the original scheme costs, or what could be done for a relatively small amount of increased funding in addition to the original cost.
- 2.7 The two alternatives proposed were the:
- completion of Connecting Derby from St Alkmund's Way through to Abbey Street
  - completion of Connecting Derby from St Alkmund's Way through to the Burton Road/Normanton Road junction.
- 2.8 All options included the section improvements on the Inner Ring Road from Osmaston Road through to London Road and the construction of the King Street Link.
- 2.9 These options were provided to officials at the DfT in August 2004 and since then discussions have been taking place, to identify a way forward.
- 2.10 Discussions have centred on the 'affordability' of the scheme and whilst the benefit/cost ratio is still extremely good, DfT officials are finding it difficult to agree to an increase in funding for the whole scheme.
- 2.11 As part of the reappraisal negotiations the City Council, in September 2004, indicated that if DfT would approve the full scheme then the City Council would look to underwrite a contribution of £5m towards the total scheme costs from sources such as LTP Block Allocation, Section 106 agreements and by other external funding sources. This included the external funding already expected as part of Phase 1.
- 2.12 Having given this offer serious consideration, and after DfT officials came to visit Derby to understand the scheme better and to meet with senior officers they have now come forward with a proposal for funding. DfT have been struggling to justify and afford the significant level of additional costs that are now estimated for the scheme. However they do acknowledge that to simply complete only part of the inner ring road at this stage would be short-sighted. The Council's offer of £5m left a funding gap of £11.23m for DfT to consider. However, DfT felt this was unaffordable and proposed an additional contribution of £9.23m towards the completion of Phases 2 and 3a, the elements that complete the Inner Ring Road. Since the total scheme shortfall is £16.23m this means that the Council need to consider underwriting a total contribution of £7m towards Connecting Derby. With the external contributions secured for Phase 1 of the scheme, this brings the Council's remaining commitment to £6.55m.
- 2.13 Whilst DfT wish to ensure that their element of funding goes towards Phases 2 and 3a, they do acknowledge the importance of completing the whole of Connecting Derby and will therefore approve the full major scheme, including the King Street Link. Construction of the King Street Link provides an important contribution to the overall scheme, especially in relation to bus priority measures. Also it is important that we continue to progress through the statutory planning process with the full Connecting Derby scheme.

- 2.14 In summary the funding proposals would mean that DfT would have to approve an additional £9.23m towards the completion of Connecting Derby and that DCC would have to fund the balance of £7m. Table 1 sets out the proposals for how the local contribution could be funded. We will continue to investigate sources of external funding in order to reduce the total amount that the Council has to resource.

## OTHER OPTIONS CONSIDERED

3. Other options were considered as part of the appraisal process as set out in the report, but are not proposed for completion as they do not provide the same level of benefits as completing the full scheme.

**Table 1 Proposals for finding local contribution of £7m**

Funding Source	Range of Funding (£000)	Comments
ERDF Objective 2/THI for Phase 1	450	Already spent on Phase 1
THI	50	Towards Phase 2
European Funding	200-400	£200k Needs to be spent in 2006/7
ERDF Objective 2	300-500	Figures in the range depend on showing appropriate outputs – this may be difficult for the higher figure.
Westfield Section 106	1,000-1,500	£1m allocated to Park and Ride or other public transport improvements, of which Connecting Derby is one. Therefore P&R would have to be funded from another source.  A further £2m is allocated in the S106 to other transport improvements as well as city centre regeneration – some of this could be spent on Connecting Derby if Council and Westfield agree.
Other available S106	80-200	Magistrate's Court and others. Some allocated but other money from future developments
LTP Block Allocation	2,500 – 3,500	Allocating between £700 and £1.3m per year over four years
TOTAL	4,580 – 6,600	
Additional Required	400 – 2,420	Borrowing required from other sources (capital receipts, unsupported borrowing, further funding from LTP block allocation etc)

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications Appendix A Appendix B Table 1

<b>IMPLICATIONS</b>
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**Financial**

- 1.1 DCC would have to contribute a total of £7m towards the overall cost of Connecting Derby. We have already secured £450,000 towards Phase 1, through the Objective 2 and THI external funding initiatives. This leaves a further £6.55m to be underwritten by the Council. It is proposed that the funding would come from LTP block allocation, Section 106 developer contributions, other external funding opportunities, capital receipts and possibly unsupported borrowing. The proposals are set out in Table 1.
- 1.2 None of the additional local contribution will be required in the 2005/06 financial year. Details of future spending proposals will be brought to Cabinet for approval as required.

**Legal**

- 2.1 None directly arising.

**Personnel**

- 3.1 None directly arising.

**Equalities impact**

- 4.1 None directly arising.

**Corporate objectives and priorities for change**

- 5.1 The proposal comes under the Council Objectives of job opportunities, a healthy environment shops, commercial and leisure activities.
- 5.2 The proposal furthers the priorities of promoting the city as a major force for industry, commerce, culture and tourism improving road and other transport links to improve choice and make better use of the city centre by completing Connecting Derby developing the management of the city and district centres to improve their attractiveness and viability. Specifically it focuses on 4.1DCS of the Corporate Plan.