

REQUEST FOR SUPPLEMENTARY CAPITAL ESTIMATE

A34 Alderley Edge and Nether Alderley Bypass

The scheme was given Full Approval by the Department of Transport (DfT) in mid 2008 and approved by Cheshire East Council at its meeting of 16th June 2008. At that time, the estimated cost was £51.648m, which was being funded by a DfT grant of £48.224m and £3.424m from the Council. At present, expenditure on the scheme stands at £42.9m. However the predicted outturn is now £54.7m which is predicted to be incurred over the years to 2016.

The construction phase is largely complete as the bypass was opened to traffic in November 2010. Whereas for this phase construction works have come in approximately £0.5m under budget, this has been offset by associated works by the services / statutory undertakers being approximately £1.2m over budget.

Future expenditure relates to costs to be incurred from the settlement of all land related and compensation claim issues which take a long period of time to be completed. Given the road opening in November 2010, the window for compensation claims will not close until 2017, which is the usual time scale for these claims. However these claims are predicted to overrun the budget by £2.4m.

The scheme is subject to variations in incurred costs which, given the long period of time involved with such a large project, are liable to occur for unforeseen reasons. The estimates used on commencement of the scheme were realistic and justifiable at that time and there was a significant cost risk allowance included within the figures in 2008. However, this has been exceeded by an increase in land related costs for several conspiring reasons that have occurred in the intervening years. They include, inter alia, an increase in land costs per acre; increases in the actual areas of land acquired on negotiation; increased disturbance, severance and injurious affection claims/payments; and increases in the estimated number of Part 1 compensation claims arising from an increase in the number of properties eligible to claim after further consideration upon completion of the scheme. The current estimate that now gives rise to the £3m SCE is based on a full knowledge of all these changes and it is expected that it will be possible to manage the outturn within this revised figure.

The Council owns a considerable portfolio of land/buildings in the area that were purchased several years ago during the development of the scheme. The process of selling off these holdings has commenced and it is proposed that the income arising from this (estimated to be £1.72m-£3.1m based on estimates prepared by Assets) could be used to offset these increased costs. If receipts were to come in at the bottom of the estimate then the Department would need to find the shortfall, if this could not be found elsewhere within the Places revenue and capital budgets and there was no available monies from the Capital Reserve then the only alternative would be to consider Prudential Borrowing.