

OPEN Report and Appendix 2

NOT FOR PUBLICATION Appendices 1 and 3 - By virtue of paragraph(s) 3 of Part 1 Schedule 1 of the Local Government Act 1972

Corporate Policy Committee

27 November 2025

Budget Approval and acceptance of the remaining DfT Grant for the Middlewich Eastern Bypass

Report of: Phil Cresswell, Executive Director Place

Report Reference No: CPC/58/25-26

Ward(s) Affected: Middlewich, Brereton Rural

For Decision

Purpose of Report

- 1 To recommend to Full Council to approve an increased budget of £107.67m for the Middlewich Eastern Bypass (MEB) Budget for inclusion in the Council's Capital Programme.
- 2 To recommend to Full Council to accept the remainder of the grant of £46.78m (£23.304M) from the Department of Transport (DfT) towards the construction of the scheme
- 3 This report includes two commercially sensitive appendices which provides further details of the Council's commercial position and breakdown of estimated budgets prior to receipt of a formal contractual offer.

Executive Summary

- 4 The Middlewich Eastern Bypass scheme will improve the highway network in Middlewich by relieving congestion and road safety concerns in Middlewich town centre, improving journey times in mid Cheshire and enabling the full development of Strategic Location LPS 44 (Midpoint 18) in the adopted Local Plan Strategy. The Scheme, which is partly in Cheshire West and Chester, will support the economic growth of the Cheshire and Warrington sub-region.

- 5 The Council has spent approximately £27 million on activities such as scheme preparation, ground investigation, environmental works and land assembly to date.
- 6 Following the approval of the Council's Full Business Case, the DfT have awarded the Council £46.78m of funding towards the MEB. The grant funding is payable in yearly payments over a 3-year period.
- 7 The announcement of the grant award was delayed from the expected date in February 2025, meaning that the scheme could not start in 2025 as planned.
- 8 The delayed funding decision has impacted on the construction programme and caused increased cost pressures because of inflation and the need to refresh certain elements of work. The contractors target costs are currently being updated as the scheme will commence in 2026 and not 2025 on which the existing target cost is based. This work also includes assessing opportunities to deliver programme efficiencies and value engineering to help with the budget pressure.
- 9 The delay to the commencement of the scheme has resulted in an increase to the scheme cost estimate to £107.67m (now assuming a 2026 start), an increase of £9.73m. This report recommends that the scheme is allocated funding from other highway capital programme budgets, including from the Local Transport Grant.
- 10 The report also recommends the formal acceptance of the remainder of the DfT grant towards the scheme.
- 11 The report has considered other options to address the estimated cost increases including descoping options and a financial impact assessment of these alternative options. A summary of which is appended to this report in the confidential (Part 2) appendix 1.

RECOMMENDATIONS

The Corporate Policy Committee:

1. Recommend to Full Council; -

- a. To accept the remaining £23.304m grant monies payable over 26/27 and 27/28 from the Department for Transport to be spent on the delivery of the scheme, when received to
 - i. Authorise the Executive Director of Resources and Section 151 Officer to:
 - ◆ accept the DfT Grant allocation of £22.876m in 26/27 and £0.428m in 27/28. towards the MEB.
 - ◆ sign and return the Grant Letter by the DfT

- b. to approve a supplementary capital estimate for remaining grant monies
- c. to approve an increase in the allocated budget for the MEB from £97.94m to £107.67m for inclusion on the Council's Capital Programme. To agree that the increase of £9.73m be obtained from allocations from the 2025/26 Local Transport Fund of £1m and a request to the Shadow Board of the new Combined Authority in the near future for a minimum of £5.54m allocation of the Local Transport Capital Grant as detailed in the report and to authorise a supplementary capital estimate/ virement of the monies to the scheme.
- d. to allocate £1.24m surplus monies contained within the Congleton Link Road major highways scheme towards the project and authorise a supplementary capital estimate / virement of the monies to the scheme.
- e. to allocate any future proceeds from the sale of the land and property acquired in addition to the land acquired under the Compulsory Purchase Order during scheme development to the MEB project.

Background

- 12 On 23rd January 2025 the Highways and Transport Committee were updated on the scheme and the critical dependency of scheme costs on a timely decision from DfT on the grant funding. DfT funding was not confirmed until the 8th July 2025.
- 13 On 6th August the Corporate Policy Committee considered a report to accept the initial payment of the DfT grant funding, due to the committee cycles it was not possible to refer this to full Council; therefore, authorisation was sought to allow the Executive Director of Resources and Section 151 officer to accept the grant. This paper informed the committee that there would be significant inflationary costs arising from the delay in DfT's approval and proposed, subject to future decisions to proceed to use other ring-fenced transport funding, for example Local Transport Grant, Capital receipts and virements from existing committee budgets.
- 14 The late DfT grant decision caused the seasonal construction start window to be missed and a one-year delay to planned construction start. This delay will mean that the construction costs for the scheme have increased from £97.94m to an estimated £107.67m, therefore it will be necessary to fund the difference by other means as the Council will not be able to incur any additional borrowing. This is the Council's best estimate of the scheme costs at this time and is subject to a Contractual cost that will be provided in early December 2025.

- 15 The Table in confidential Appendix 1 is a breakdown of the current scheme estimate, showing the increase due to the delay in the DfT decision.

Additional Funding Recommendation

- 16 Given the Council's current financial position, increasing further the Council's direct contribution through increased borrowing to the scheme is not considered as a supportable recommendation by the Capital Programme Board.
- 17 A number of options have been considered to address the funding gap. These have included de-scoping elements of the scheme, cancelling other schemes from the highways capital programme and reallocating other highways capital budgets.
- 18 The DfT have also been asked to increase the grant contribution, but this request was not successful. However, the Council will continue to explore further opportunities to leverage additional capital grant into this scheme.
- 19 **Table 1** below shows the recommended funding option to accommodate the estimated increased costs.

Source	Amount (£m)
Reallocation of £1.24m of funding from the wider highways and transport capital programme	1.24
Integrated Transport Block 2025/26 contribution	1.00
Local Transport Grant contribution	5.54
Resale of land and property purchased to enable scheme	1.95
Total additional funding	9.73

- 20 The proposal will result in no increased Council borrowing and a projected Capital Financing betterment (due to income profile) against other options.
- 21 Currently the Council is the beneficiary of the both the Integrated Transport Block and the Local Transport Grant, however this situation will change when the new combined authority is formed. Therefore, it will be necessary that the scheme is included in any documentation considered prior to the formation of the new authority. Currently it is unclear as to what will occur during the transition period to the new

shadow authority and the initial period of the new combined authority, with grants that are awarded to partner authorities; hence the recommendation to seek a decision in principle on the use of LTG funding from the Shadow Board of the Combined Authority. The LTG funding is separate to the Mayoral Investment Fund.

Consultation and Engagement

- 22 The scheme has been subject to extensive local consultation at the planning stage and demonstrated high levels of local support, including from the recently elected MP for the Mid-Cheshire constituency.

Reasons for Recommendations

- 23 A detailed assessment of all the options for the scheme (including abandonment) has been undertaken given the increase in estimated costs. The full list of alternative options considered is contained in Appendix 2. A commentary on each scheme option is presented in detail in confidential Appendix 3 of this report, and a detailed financial assessment of those options has been made and discussed with the Section 151 Officer. These assessments have shown that given the expenditure on the scheme to date, the most financially advantageous option for the Council is to continue to construction of the scheme in its current form (Option 3).

Other Options Considered

- 24 The table in Appendix 2 describes each scheme option and outlines the benefits and risks of each option, along with detail around the assumptions made in the assessment of each option. A summary of the financial impacts of each option is contained in confidential Appendix 3.

Implications and Comments

Monitoring Officer/Legal/Governance

- 25 The scheme currently requires additional funding from the Council based upon the estimated scheme costs. Members need to be aware that this is subject to the review of the new contract price due to be provided to the Council in early December. The scheme is viable provided the Council seeks alternative funding options which include the use of monies highlighted in the report.
- 26 The scheme relies upon a Compulsory Purchase Order (CPO) to acquire the land required for the scheme, this will involve the Council making a General Vesting Declaration in the near future and will be subject to a report to the Highways and Transport Committee in January 2026. The current report suggests that surplus land is sold, this is land that has already been acquired before the CPO has been implemented

and not land included within the CPO. During the negotiations to acquire a plot of land, it was necessary to acquire the whole plot since the new road would sever the plot and sterilise the remaining land. As part of the CPO process the Council should not acquire more land than is necessary to deliver the scheme, if once the scheme has been constructed surplus land is identified the Council will be required to comply with the Critchel Down Rules and initially offer the land back to the previous landowner.

- 27 The options considered include the use of alternative grant monies, it should be noted that when the scheme was originally envisaged it was not known that the Council would become part of a combined authority. In 2026/2027 the local transport Grant (LTG) will replace the Integrated Transport Block and provide consolidated capital and resource for local transport enhancements and maintenance. The Council have been allocated £47.150m payable over a 4-year period, 2026/27, 2027/28, 2028/29, 2029/30. At the time of writing, the DfT are yet to provide the guidance that accompanies the use of the LTG. However, it will be for the Combined Authority to consider and decide how to allocate and use the funding across all constituent authorities.
- 28 The Council have decided to form a combined authority from 2026, with a Shadow Board being formed in October 2025 and the combined authority formally coming into existence in by the 31st March 2026. It is currently not known what will happen to grant monies awarded to partner authorities, therefore there is a risk that the Council does not receive this grant funding. The recommendations do include the request that the new combined authority ringfences grants so that they can be used for only the inflationary elements of this scheme. Members should be aware that the Council cannot make a decision that will be binding on the new authority.

Section 151 Officer/Finance

- 29 The Middlewich Eastern Bypass is included within the Capital Programme published as part of the 2025-2029 Medium Term Financial Strategy (2025 MTFS) and its current reported approved budget is £96.6m plus a further £1.34m of budget relating to MEB that sits within assets, in total £97.94m. To date the project has spent £27.68m, with over £24m of this being funded by prudential borrowing.
- 30 The £97.94m budget was predicated on the construction works commencing in 2025. However, a DfT funding decision was significantly delayed and the start date has been pushed back to 2026. Estimated costs have inevitably risen and are now currently forecast to be £107.67m, an increase of £9.73m (10%). It is important to note that

these are informed estimates at this point and contractual prices are as yet not final.

- 31 If the funding recommendations in Table 1 are made and the recommendations for virements adopted, then Table 2 below shows the overall funding position for the scheme if a start is made in Spring 2026

Table 2 – Proposed Scheme funding (for a 2026 start)

FUNDING SOURCES	FUNDING CONTRIBUTION
	£m
Department for Transport (DfT) Grants:	48.04
Local Contributions:	
Cheshire East Council (CEC)	24.67
Developers S106 Contributions	26.47
Integrated Transport Block 2025/26 contribution	1.00
Local Transport Grant 2026/27 and 27/28 contribution	5.54
Capital Receipts Resale of land and property purchased to enable scheme	1.95
Funding Available	107.67

- 32 The 2025 MTFS explicitly states that continuing to fund capital programmes with large amounts of borrowing is not affordable and not prudent. The MTFS recognises the need to reduce the current level of debt and the resulting ongoing cost of borrowing which puts a strain on the revenue budget. The MTFS assumes that capital receipts, third party funding and savings generated because of investment will be used to fund the programme wherever possible. Consequently, every opportunity should be taken to identify new and eligible sources of finance to reduce the level of Council contribution in MEB. The sources of funding identified in Table 2 should not be seen as being fixed.
- 33 The Capital Programme Board (CPB), established with the key remit to ensure the annual Capital programme is affordable, financially prudent and sustainable, received an update on the MEB Project on 15 September 2025 and considered the potential funding options

proposed. The CPB supported the scheme but only on the basis that no additional Prudential Borrowing was used in relation to the +£9.73m estimated increased costs and that a suitable proposal is put forward on that basis and to make recommendations to Committee per the Constitution.

- 34 The report requests additional funding be allocated to the scheme in order to fund the additional estimated £9.73m costs due to a delayed start to the scheme and this is shown in Table 1 (Paragraph 14). These would be funded from the following:
- A reallocation of £1.24m surplus budget contained within existing major highways schemes with no net increase in reported Council funding overall. The funds would need to be vired. If, the budget is subsequently required in the original projects then this proposal may increase the overall prudential borrowing ask of the Council and will therefore need to be carefully managed.
 - The service have indicated that a further £1.95m could be generated from land sales of surplus land along the route of the bypass with the caveat that land values fluctuate and therefore the value to be obtained is not a guaranteed amount from resale but an estimate, and if that figure is not achieved then the Council would need to support any shortfall through additional borrowing or alternative funding to support the scheme. In any event the land sales would not take place until the scheme is finished and therefore the Council would need to forward fund this amount in the meantime from borrowing and incur the related borrowing costs.
 - Other transport grants totalling £1m would be reallocated to this scheme in 25/26 through virement. The source of this is a top up to the Integrated Transport Block funding for local transport and maintenance, The Authority received an allocation of £7.75m so the figure represents a modest portion of this. The balance of the proposed funding gap solution (£5.54m) would come in the form of an allocation from Local Transport Grant (LTG). In 2026/2027 the Local Transport Grant will replace the Integrated Transport Block and provide consolidated capital and resource for local transport enhancements and maintenance. The Council were allocated £47.150m payable over a 4-year period, 2026/27-2029/30, and whilst this represents a significant increase on the values included within the approved 2025-29 MTFS, responsibility for allocating and distributing it across the three Authorities will become a function of the Combined Authority. A Shadow Authority overseen by a Shadow Board will operate initially with

the combined authority formally coming into existence by the 1 April 2026. The report recommends that a request is made to the Shadow Board to obtain a decision in principle to ringfence as a minimum £5.54m of the LTG allocation. This could be phased over more than one year.

- 35 The impact of these funding additions and effects of prudential borrowing on the Capital Financing Budget (CFB) over the project life (25 years) have been modelled by Finance against a range of options as set out in Paragraph 19 above. These are set out in confidential Appendix 3 where alternatives have been compared with the current £97.94m baseline MTFS position.
- 36 For Option 3, which is the preferred option in the report, the CFB impact over the project life is forecast at £43.111m which is a marginal £3.252m improvement than the existing MTFS baseline reported project. This option is based on the phased receipt of DfT funding over 3 years. The total CEC borrowing committed to the project totals £24.671m. With all other options, other than scheme cancellation, there is a higher CEC requirement for Prudential Borrowing and overall Capital Financing Cost. However, if the project were to cease, then costs incurred to date (£27.68m plus any additional expenditure to allow closure) could not be capitalised and would need to be written back to revenue. This would put significant additional pressure upon the Council's current revenue financial position, the impact of which should be self-evident. In addition, ceasing the scheme would also leave the council without the benefit of the asset and its potential to unlock the surrounding area for development.
- 37 Further analysis of the options is covered in confidential Appendix 3.

Human Resources

- 38 It shall be necessary to ensure that sufficient resource is allocated in Estates, Highways, Legal and Planning Services to support delivery of the scheme. If additional temporary resources are required these will be met from the project budget.

Risk Management

- 39 The biggest risk is that Full Council does not approve the revised MTFS budget before the January Highways and Transport committee. The January Highways and Transport Committee is the last opportunity to secure the necessary approvals to proceed to meet the CPO expiry deadlines and enable a start on site in Spring 2026. Confidential Appendix 3 sets out the financial impacts of not proceeding as recommended.

- 40 There is a risk that the Council is not permitted to use LTG to cover the inflationary costs of the Scheme, either via DfT guidelines (that are not yet available) or not authorised by the combined authority. However, to ensure delivery of key project milestones the Council has assumed that it will be allowed to use LTG to fund the additional elements of the scheme and will seek an agreement in principle to this effect as soon as possible.
- 41 This paper is required to provide the budget to allow a future decision on the scheme to be made. However, this budget is being set before a Contractual cost for the scheme is known but has been based on officers' best estimates. Further committee decisions will be needed if the overall scheme cost exceeds the estimates in this report.

Impact on other Committees

- 42 The recommendations in this report will allow the Highways and Transport Committee to proceed to award the construction contract for the scheme at their meeting in January 2026 if the overall scheme costs are within the revised budget.

Policy

- 43 The policy implications of the scheme are unchanged from those reported in previous cabinet and committee reports, most recently and comprehensively in the report to Highways and Transport Committee on 21 September 2023.

Equality, Diversity and Inclusion

- 44 The equality, diversity and inclusion implications of the scheme are unchanged from those reported in previous cabinet and committee reports, most recently and comprehensively in the report to Highways and Transport Committee on 21 September 2023.

Other Implications

- 45 All other implications of the scheme are unchanged from those reported in the previous cabinet and committee reports, most recently in the report to Highways and Transport Committee on 21 September 2023

Consultation

Name of Consultee	Post held	Date sent	Date returned
<i>Statutory Officer (or deputy):</i>			
Ashley Hughes	S151 Officer	30/09/25	05/11/25
Kevin O'Keefe	Monitoring Officer	30/09/25	05/11/25
<i>Legal and Finance</i>			
Tracy Baldwin	Finance Manager	09/10/25	24/10/25
<i>Other Consultees:</i>			
<i>Directors</i>			
Mandy Withington	Legal Team Leader	09/10/25	23/10/25
Phil Cresswell	Executive Director - Place	05/11/25	10/11/25

Access to Information	
Contact Officer:	Paul Griffiths, Chris Hindle, Angela Johnson paul.griffiths@cheshireeast.gov.uk, chris.hindle@cheshireeast.gov.uk, angela.johnson@cheshireeast.gov.uk
Appendices:	Confidential Appendix 1 – Table to show the impact of the delayed DfT decision on the scheme cost estimate. Appendix 2 – Alternative Options Confidential Appendix 3 – Finance review of alternative options.

	Appendices 1 and 3 are commercially sensitive and are exempt from publication
Background Papers:	