

CHESHIRE EAST COUNCIL

Cabinet

Date of meeting: 16 June 2008
Report of: Paul Ancell
Title: A34 Alderley Edge & Nether Alderley Bypass

1.0 Purpose of Report

1.1 This report describes progress and decisions required for the A34 Alderley Edge & Nether Alderley Bypass at a critical stage of the works procurement. Reports outlining the scheme have been considered by the Joint Implementation Team on 2 April 2008 and the Cheshire East Joint Committee on 15 April 2008. The Joint Committee resolved that:

- The funding requirement for the scheme, post March 2009 and the expectation that this would be drawn from the integrated transport block of the LTP, be noted;
- The necessity to appoint a site staff resource to manage the contract, which might have implications for the continuity and transfer of staff on this key site post March 2009, be noted
- The DfT be provided with assurance prior to Final Approval regarding overseeing and staffing the project as set out in paragraph 4.10 of the (Joint Committee) report
- A letter be sent to former County Councillor Margaret Melrose advising her of the Joint Committee's decision on this matter.

1.2 In particular, this paper, and previous papers, explains that the Department for Transport, prior to them giving Full Funding Approval, require an assurance from Cheshire East Shadow Authority that the new authority "would continue to be able to oversee the contract and have the relevant personnel".

2.0 Decision Required

2.1 To confirm the decisions made by the Joint Committee on 15 April 2008.

2.2 To note the progress on the scheme.

2.3 To give consent to Cheshire County Council entering into the contracts for the main road/bridge works, Network Rail underbridge and other associated works. This approval is required to satisfy the direction issued by DCLG under section 24 of the Local Government and Public

Involvement in Health Act 2007 regarding contracts let by the existing Authorities from 26 May 2008 onwards.

- 2.4 To confirm that Cheshire East Council will oversee the contract by means of appointment of relevant personnel after 31 March 2009

3.0 Financial Implications for Transition Costs

- 3.1 The Regional Assembly has approved overall funding of £52.8m in the Regional Funding Allocation. It should be noted, however, that this is a maximum budget provision and does not represent an agreed DfT contribution. Grant will be paid to the Authorities (ie the County Council up 31 March 2009 and Cheshire East Council thereafter) based on actual expenditure and in accordance with the financing package agreed as part of Final Approval. The estimated cost profile supplied to the DfT in January 2008 for Conditional Approval was as follows:

	08/09	09/10	10/11	11/12	13/14	14/15	Total
DfT Costs	9.9	17.7	9.5	2.7	4.5	2.3	£46.6m
LA Costs	0	0.5	0.4	0.3	0.3	0.3	£1.8m
							£48.4m

- 3.2 Since withdrawal of the High Court Challenge, it has been possible for the scheme's contractor to make considerable progress in finalising programme details and, hence, cost implications arising out the delays referred to in paragraph 7.10 below. The overall cost estimate has also been affected by the necessary factoring in of design refinements and service diversion implications. The latest project cost estimate is £51.4m. (May 2008). Work is continuing on the cost estimate and associated risk assessments and a verbal update of the latest position will be provided to Members at the meeting
- 3.3 The estimated cost includes the provision of a footbridge across the bypass for public right of way Footpath No 33 in Nether Alderley, as approved by the County Council's Environment Executive on 7 April 2008. This cost profile includes, as well as the works contracts mentioned above, funding for all scheme costs covering *inter alia* land, Part 1 Claims under the Land Compensation Act, staff costs during the construction phase, inflation and risk allowances. The DfT require a Final Approval submission to be made giving a revised estimated cost profile once all the current Target Cost and detailed design estimates are finalised. Based on this, the contributions and timings for all the funding parties will be finally agreed which will be based on a DfT promoted understanding that costs over the agreed project budget will be borne by the promoting authority.

- 3.4 Network Rail have progressed their rail underbridge through feasibility and detailed phases using their appointed contractor Birse Rail. They have estimated the project value as £8m which includes a new drainage culvert, cost provisions for risks, Train Operating Companies' costs, and staff costs.
- 3.5 The estimated project value for the civils works (Birse Civils works) included within the January 2008 estimate to DfT was £22m. Taking into account the issues referred to in paras 3.1 and 7.10, the current estimate is £26.4m, which includes cost provisions for risks and inflation.
- 3.6 The associated minor works values are £0.8m for landscaping (yet to be tendered) and £1.7m for public utility diversions currently being finalised with each company.

4.0 Financial Implications 2009/10 and beyond

- 4.1 The local authority funding contribution for this project, from 2009/10 onwards, will need to come from Cheshire East's LTP2 Integrated Transport block allocation. The disaggregation of the Cheshire LTP2 block allocation between Cheshire West & Chester and Cheshire East has still to be determined. DfT have indicated that they expect the East and West Cheshire Councils to reach agreement with regards to the division of grant funding such as the LTP, albeit it is understood that a formula approach would be used by DfT should agreement not be reached by the two Councils. Assuming the South East Manchester Multi Modal Study scheme (SEMMMS) element is attributed to Cheshire East and the remainder in split 50:50, then Cheshire East's LTP2 Integrated Transport block allocation would be £4.926m in 09/10 and £4.994m in 10/11. (No figures are available for 2011/12 onwards). Five possible scenarios based on population, road length and past and future LTP2 expenditure have been examined. The worse case scenario gives Cheshire 47% of the "non-SEMMMS" related block allocation. This would reduce the annual allocations by around £250,000.
- 4.2 Members will be aware that in addition to Alderley Edge Bypass, there are four other major transport schemes within the Cheshire East boundaries which are at various stages of development. These are Crewe Green Link Road, Crewe Station Gateway, Middlewich Eastern Bypass and the SEMMMS major schemes. In the event that Members decide to continue with all five schemes, then funding of around £10m (based on current estimates) will be required from the LTP capital allocation in the period 2009/10 to 2014/15. The table below gives an indicative spend profile for each scheme.

	2009/10	2010/11	Post 10/11
Middlewich Eastern Bypass	1250	750	0
Alderley Edge Bypass	500	1000	1800
Crewe Station Gateway	500	320	0
SEMMMS Major Schemes	550	550	2500
Crewe Green Link Road	0	0	0
Schemes Total	2800	2620	4300
LTP Integrated Transport block Total funding	4926	4994	Not yet confirmed

4.3 The five major projects would therefore require just over half the LTP Integrated Transport block allocation for 2009/10 and 2010/11 based on current known cost estimates and funding profiles. The remaining significant elements currently shown in the Integrated Transport block are; Local Safety Schemes, Safer Routes to Schools, Public Transport Improvements, Local Integrated Transport programmes (Macclesfield, Congleton and Crewe & Nantwich areas)

4.4 Any increase in overall scheme cost on Alderley Edge beyond that built into the final scheme cost estimate, would therefore probably have to be met from within the LTP Integrated Transport block.

5.0 Risk Assessment

5.1 In developing the estimate a comprehensive risk assessment has been undertaken. The table below provides details of the current outturn estimates of the various aspects of the scheme and the built in risk allowances.

Scheme Element	Cost Estimate (total)	Risk Assessment	
		Risk Allowance Included	Comments
Main Highways Contract (Contractor – Birse CL)	£26.4m	£5.2m	Comprises 15% contingency on contract price (£3.4m), plus £1.8m allowance for inflation. Costs are based on a detailed quantified risk assessment carried out with the contractor.
Network Rail Bridge (Contractor – Birse Rail)	£8.0m	£0.65m	A £650K “built in risk” allowance arises from a “Risk Workshop” and incorporates provisions for weather, estimating, ground conditions, design uncertainty and re-tamping.

			A further £300K for train operating costs is also included in the cost estimate of £8m.
Statutory Undertakers	£1.7m		Based on utility company estimates – some risk associated with payments based on actual costs incurred by utilities.
Landscaping	£0.8m		Contracts still to be tendered – minimal risks associated with this work.
Land Acquisition	£1.9m		Based on projected land values – subject to negotiation.
Land – Part One Claims	£10.1m	(£1.1m)	Assumes house price inflation of 5% (Part One Claims can be made from one year after the scheme opens until seven years after it opens). Zero property price inflation over the period in question would reduce estimate by £1.1m,
Staff Costs	£2.5m		Minimal risks associated with this element.
Total	£51.4m		

- 5.2 The DfT require the promoting Authority to fund 50% of any cost increases over and above those previously agreed on the basis of earlier cost estimates. Although discussions are ongoing with DfT, this factor is likely to result in an increase in the Local Authority contribution to the cost from the initially envisaged £1.8m to £3.3m. The latter figure has been taken into account in the wider funding consideration detailed in section 4 of this report.

6.0 Background

- 6.1 The A34 through Alderley Edge and Nether Alderley is a key part of the County's primary route network and forms a southerly continuation of the Wilmslow-Handforth Bypass opened in the 1990s.
- 6.2 Alderley Edge has a population of 4,500 people and is designated as a village centre providing for local needs within the Macclesfield Local Plan. It has a busy central area with a popular shopping area along the A34.
- 6.3 The scheme was provisionally approved in early 2002. It was included in the South East Manchester Multi Modal Study (SEMMMS)

recommended core strategy as part of the "Do Minimum Plus" programme and was considered to be an integral part of the strategy.

- 6.4 A Planning Application was submitted in May 2002 for a single carriageway scheme. This engendered a large public response and over 400 objections. The Council addressed the objections raised, incorporating many changes to the scheme. These amendments were approved and the Council approved the submission of a new Planning Application, made in July 2003. Both 2002 and 2003 planning application submissions were accompanied by public exhibitions of the proposals.
- 6.6 In March 2004 the Council resolved to make the Side Roads and Compulsory Purchase Orders and the Public Inquiry into these was held in January 2005.
- 6.7 In October 2005 the Secretary of State wrote to the Council regarding the decision on the confirmation of the Orders. In this letter he described his considerations of the objections and representations to the Orders plus the Inspector's report on the Inquiry. He confirmed acceptance of the Inspector's conclusions.
- 6.8 The scheme has been assessed as part of the Regional Funding Allocation (RFA) process for major local transport schemes. In July 2005 GONW was invited to submit to Ministers a transport investment programme based on the 10 year RFA for the North West. All potential schemes were prioritised based on a rigorous assessment framework and grouped into quartiles, with those in the top quartile representing the best performing schemes. The bypass scheme satisfied "the wider regional objectives of exploiting opportunities to improve access to knowledge base", which includes its strong links between AstraZeneca and Manchester University, and was proposed to be allocated funding out of Quartile 1 of the RFA. In January 2006 the North West Regional Assembly presented the 10 year programme, which was supplemented by further advice provided in June 2006 suggesting a revised sequencing of schemes. The Secretary of State for Transport subsequently confirmed the first category of schemes that the Government expected to fund during the three year period 2006/7 - 2008/9. This included the A34 Nether Alderley & Alderley Edge Bypass. A revised cost for the scheme of £52.8million was approved on 23 March 2007 by the Regional Transport Board of the North West Region Assembly.

7.0 Options

- 7.1 This approval is being sought, in advance of, but subject to, receiving Full Funding Approval from the Department for Transport (DfT) in order to be able to meet the desired start date of the construction period. It is envisaged that the submission to DfT, seeking Full Funding Approval, will have been made towards the end of week commencing 9 June, i.e.

anticipating subsequent receipt of the necessary approvals / assurances from the Cheshire East Council

- 7.2 The project has been subject to progress reporting with previous key decisions taken by the County Council Environment Executive at stages throughout its development. For example, at its meeting on 7 April 2008, the Environment Executive approved the provision of a footbridge at Footpath No 33 Nether Alderley within the scheme and noted overall progress with contract procurement. Elsewhere in this report, reference is made of the County Council Executive on 24 October 2007, approving the appointment of the preferred contractor.
- 7.3 Since late 2006, Network Rail, when they initiated detailed procurement, have followed their own internal processes and procedures for the design and construction of a rail underbridge for the bypass. This work has been progressed as a series of works orders from the County Council pending the completion of a legal agreement (Implementation Agreement) for signing by the County Council that will describe the obligations of, and risks to, all parties. The works have been programmed to be constructed in two already "booked" rail possessions over the Christmas periods in 2008 and 2009.
- 7.4 During 2007, the civils part of the project - roads, earthworks, drainage and bridge works - were tendered by the County Council based on preliminary design details only. The County Council 's Executive, at the meeting on 24 October 2007, approved the appointment of Birse Civils as preferred contractor, to work with the Council's design teams and develop the design and arrive at an agreed Target Cost.
- 7.5 As well as the two main works contracts described above, the project includes contracts for landscaping works, some of which are programmed to take place during winter 2008/09 with the majority in 2010/11 and diversion of public utilities, principally foul water sewers for United Utilities.
- 7.6 The project has been the subject of a High Court challenge, lodged in August 2007, to the confirmation of the Compulsory Purchase Order. A hearing date in the High Court of 3 June 2008 had been set. Very recently, the challenge has been withdrawn.
- 7.7 The project has to navigate through and complete two stages of DfT approval. The work for Conditional Approval (CA), the stage to be applied for once statutory procedures are in place, is substantially complete. This stage was delayed, awaiting the decision of the Minister of State, because of the 1 May elections. Additionally, DfT earlier confirmed that, because of the existence of a High Court challenge, they would not give Final Approval and thereby Funding Approval (this stage requires the estimate to be based on contractor tender prices) until the challenge had been resolved. Recent discussions with the DfT indicate that, due to the very tight time scales involved and in view

of the timing of the resolution of the High Court challenge, it is probable that the Conditional and Final Approval stages will be rolled into a single process.

- 7.8 DfT, prior to giving Final Approval also require an assurance from Cheshire East Shadow Council that they *would continue to be able to oversee the contract and would have the relevant personnel*. (see Decision 2.4) In addition, arising from Local Government Re-organisation in Cheshire, the Secretary of State for Communities and Local Government has issued a Direction under section 24 of the Local Government and Public Involvement in Health Act 2007. The effect of this, amongst other things, is to prevent the County Council entering into a capital contract in which the consideration payable exceeds £1m without the written consent of Cheshire East Shadow Council. This Direction took effect on 26 May 2008. (see Decision 2.3)
- 7.9 A similar report to this was taken to the County Council meeting on 15 May 2008 and a further report to the County Council is envisaged once the final cost estimate has been established.
- 7.10 The above key milestone programme events have impacted on the programme, delaying the envisaged commencement of construction. The programme originally showed all the Network Rail bridge works being carried out over Christmas 2008 period. It is not now possible to do this because of insufficient lead-in time to manufacture the bridge, however, some use can be made of the rail possession time already booked, to do works that are largely preparatory in nature, which will reduce the risks and thereby costs of the main rail works being constructed in the Christmas 2009 period. The desire and advantageous need to use this earlier possession, drives the timing of the contract award to enable a construction start on site in the autumn of 2008.
- 7.11 However, Network Rail and Birse Rail have advised that to ensure adequate lead in time for ordering of sheet steel piling, as part of the reduced work content over Christmas 2008 period, an order needed to be placed with Birse Rail by mid May. The purchase of the steel is being progressed through a delegated decision notice in accordance with Cheshire County Council Financial Regulations. The budgeted value of this order is £200,000 and at the time of writing this report, three competitive tenders have been sought by Birse Rail from suppliers. If this steel was subsequently not to be required, by reason of the scheme not receiving DfT Funding Approval, then there would be a resale value for the piling, but overall there will be some cost to the County Council.

8.0 Reasons for Recommendation

- 8.1 The decisions sought are critical to the success of the necessary DfT approvals process and, as a consequence, delivery of the project within the demanding time scales set by the constraints referred to in the report.

For further information:

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Background Documents:

Cheshire Local Transport Plan 2006 - 2111