

OPEN

## **Corporate Policy Committee**

**06 August 2025**

### **Middlewich Eastern Bypass – 2025-26 Grant Allocation Acceptance**

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**Report of: Phil Cresswell, Executive Director of Place**

**Report Reference No: CPC/46/25-26**

**Ward(s) Affected: Middlewich and Brereton Wards**

**For Decision**

#### **Purpose of Report**

- 1 To approve the acceptance of a capital grant of £23,475,881 from the Department for Transport (“DfT”) towards the Middlewich Eastern Bypass Scheme (“MEB”, or “the Scheme”) which represents the 2025-26 allocation (Appendix 2) with further grants of £22.876M and £0.428M expected in 2026/27 and 2027/28, respectively (Appendix 1), and further decisions will be sought to accept these grants.
- 2 To outline the further decisions that will be sought from Full Council and the Highways and Transport Committee over the coming months ahead of entering into a construction contract for the Scheme.

#### **Executive Summary**

- 3 DfT has approved the final business case (FBC) for the MEB Scheme and has approved a total of £46.8M of capital grant funding towards the scheme which will be subject to yearly grant allocations as per the DfT letter dated 8 July 2025 (Appendix 1).
- 4 Acceptance of the first tranche of grant funding of £23,475,881 is required by 13 August 2025 as per the DfT letter dated 23 July 2025 (Appendix 2).
- 5 Acceptance of this initial grant allocation does not compel the Council to deliver the Scheme or accept future grants. Future decisions will be sought from Full Council and the Highways and Transport Committee

once an updated target cost estimate is known, and the Scheme can demonstrate affordability.

- 6 If the Council does not accept the 2025/26 grant or defers the decision such that the DfT return deadline cannot be met, DfT may withdraw their grant funding towards the MEB. As a result, the scheme would be unaffordable and could not proceed. Consequently, the Council would need to write off c£27M of sunk costs to revenue. As the £27M write off to revenue would be greater than available General Fund Balance of £6.3M this would render the 2025/26 revenue budget illegal, requiring the Section 151 Officer to issue a Section 114 notice.

#### RECOMMENDATIONS

The Corporate Policy Committee is recommended to:

1. Authorise the Executive Director of Resources and Section 151 Officer to:
  - a. accept the initial DfT Capital Grant allocation of £23,475,881 towards the MEB.
  - b. sign and return the 25/26 grant Letter by the DfT deadline of Wednesday 13 August 2025.
  - c. certify the acceptance of the final business case approval as included in the letter dated 8 July 2025
2. Authorise the Executive Director of Place to confirm in writing that the Council accepts the conditions of the final business case approval (Active Travel Requirements) as included in the letter dated 8 July 2025.
3. Note that:
  - a. further Grant allocations are expected in 2026/7 and 2027/28 and acceptance of these will be subject to future decisions;
  - b. the acceptance of the grant and current estimated cost of the scheme will be reported to Finance Sub Committee, and a decision taken at this committee to approve a Supplementary Capital estimate before being recommended to Full Council.
  - c. a report will be taken to a future Highways and Transport Committee to seek the necessary approvals to commence construction once an updated target cost estimate is known and the Scheme is proven to be affordable.
  - d. A decision to not accept the grant would mean accumulated costs of c.27M would be written to the General Fund making the budget illegal due to insufficient resources to fund expenditure.

## Background

- 7 MEB was originally a developer led scheme. However, to ensure its successful delivery, the Council took over ownership and responsibility for MEB from POCHIN in 2016. The Council has since led the design development, planning, CPO process and business case development of the scheme over the past 9 years. A summary of the history and key milestones of the Scheme is included in Appendix 3.
- 8 In September 2023, the Council submitted a final business case (FBC) for MEB to DfT for approval. Following engagement with DfT, further work was undertaken to respond to DfT requests and provide further information. An updated FBC was submitted to DfT for approval in September 2024.
- 9 At this point the Scheme cost estimate was £97.3M of which c.£27M had already been incurred by the Council. These costs include land, design and advance construction elements. These costs would be abortive if the Scheme did not proceed to full construction.
- 10 The DfT confirmed by letter on the 8 July 2025 that the FBC for the MEB had been accepted and that a grant of £46.78M towards the Scheme would be awarded to the Council. There is a requirement for the Council to accept the terms of this letter.
- 11 This announcement was delayed from the expected date in February, meaning that the Scheme could not start in 2025 as planned, impacting the assumptions underpinning the FBC tender costs.
- 12 This delay has caused inflationary pressures and this, along with the need to repeat some contract preparation works, has resulted in a significant increase in the Scheme cost estimate.
- 13 However, now that the DfT decision has been announced, a critical piece of work is underway to update the contractors target cost for construction based on a Spring 2026 start. Consequently, a new contractors cost for the Scheme will be available from November 2025. A decision to proceed with the construction of the Scheme will be taken only after we have a contractor's cost.
- 14 To avoid the need for any additional borrowing on top of what is already approved in the MTFS it is proposed, subject to future decisions to proceed, to use other ringfenced transport funding – for example the recently announced Local Transport Grant, capital receipts and a virement from existing committee budgets which will be included within the Highways and Transport Committee approvals.

- 15 The exact construction programme is still to be determined, but a high-level assessment indicates that the Scheme could start on site in Spring 2026 with a construction programme of c30 months.
- 16 Prior to a decision to let the full construction contract it may prove necessary for some advance, seasonally restrictive work to be undertaken to deliver programme and cost efficiencies. This assessment is now underway. These will be taken under delegations from previous committee decisions and justified and evidenced in the usual way.
- 17 The DfT grant funding will be paid over three years with the following profile, £23.476M (25/26) £22.876M (26/27), £0.428M (27/28). On 23 July 2025, the Council received a Grant Letter for the 2025/26 allocation of £23,475,881.
- 18 DfT has requested that the Council accept the 2025/26 allocation by 13 August 2025, via the return of the letter signed by the Council's Section 151 Officer.
- 19 Acceptance of the 2025/26 grant allocation does not constitute acceptance of the full DfT grant towards MEB and future year's allocation will be subject to further grant letters which will each need to be accepted. Therefore, acceptance of the grant in stages does not trigger any 3rd party obligations or compel the Council to ultimately build the Scheme.
- 20 The next governance steps will be for the Council to include the revised estimated budget into the MTFS at Full Council (following a recommendation from Finance Sub Committee when it next meets) via a supplementary capital estimate with the decision to contract to build the scheme at the January 2026 Highways and Transport Committee (Post revised contractors' tender cost)

## **Consultation and Engagement**

- 21 MEB has been subject to extensive consultation and engagement over its development to FBC submission. No further or specific consultation or engagement is required for the decisions being sought in this report.

## **Reasons for Recommendations**

- 22 The MEB will improve the highway network in Middlewich by relieving congestion and road safety concerns in Middlewich town centre, improving journey times on the wider highway network and will enable the full development of Strategic Location LPS 44 (Midpoint 18) in the adopted Local Plan Strategy. The Scheme will support the delivery of 1,950 new homes and the creation of an estimated 6,500 jobs.

- 23 The DfT grant funding is essential funding component to support the successful delivery of the Scheme. The Scheme cannot progress to delivery without acceptance of the 2025/26 grant allocation and subsequent years' allocations. If the Scheme is unable to proceed, the £27M of work to date would be abortive and the Council would be required to write off these costs through the revenue budget account.

### Other Options Considered

Option	Impact	Risk
Do nothing	The Council does not accept the 2025/26 grant allocation.	DfT may withdraw their grant funding towards the MEB. The scheme cannot proceed, and the Council would need to write off £27M of sunk costs.
The Council accepts the 2025/26 grant allocation	The full DfT grant remains a funding source to underpin future decisions to progress.	If the Council chooses not to progress the Scheme, it will be required to return the full grant to DfT.

### Implications and Comments

#### *Monitoring Officer/Legal/Governance*

- 24 For the Scheme to progress it is necessary for the DfT grant to be accepted and the associated supplementary estimates and virements carried out to allow for the money to be spent. Normally authority would be sought from Full Council however, due to the timing issues of the committee cycles it is necessary to seek a decision from this committee. With a later decision being made by the Highways and Transport Committee.
- 25 Accepting the Grant offer does not compel the Council to proceed to construct the Scheme. This grant offer is only for a proportion of the full amount requested and therefore should not act as a trigger for any associated land transactions.
- 26 The DfT reserves the right to seek reimbursement from the Council of any payments made relating in respect of the grant award if the scheme is not constructed.

- 27 The Compulsory Purchase Order was made on 12 January 2022 and confirmed by the Secretary of State for Transport on 6 June 2023. The Council needs to exercise the compulsory purchase powers within 3 years of the Orders being confirmed i.e. before 6 June 2026. The Council will need to determine if it is going to acquire the land necessary for the Scheme by serving notice to treat or exercising a General Vesting Declaration. Under either process the Council is required to give no less than 3 months' notice of the taking of the possession of the land. Therefore, to meet these strict timelines, it will be necessary for the Council to have served any notices before end of February 2026. If the Council's fails to serve any notices or make the General Vesting Declaration within the 3-year period, it will not be able to rely upon CPO as it will have expired.
- 28 The Council needs to be mindful that compensation payments and interest on them commence as soon as the Council has acquired the land.
- 29 The Council needs to ensure that it can afford the Scheme, despite receiving DfT grant monies the Council will still be expected to forward fund the anticipated s106 monies and make a local contribution.

*Section 151 Officer/Finance*

- 30 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.
- 31 To date the project has spent £27.68m, with over £24m of this currently being funded through prudential borrowing.
- 32 If the scheme does not proceed to construction the abortive costs to date would need to be accounted for as revenue expenditure.
- 33 The grant offer of £46.78m represents the maximum amount that the DfT will provide for the project on top of an earlier allocation of £1.257m. Rather than provide the funding in a single tranche DfT have chosen to provide the funding over three years with a separate grant determination for each year. This decision, whilst accepting the allocation as a whole, is specifically accepting the 2025-26 allocation by way of Section 31 of the Local Government Act 2003, £23.476m.
- 34 The funding comes with certain grant conditions that the Authority need to adhere to. The grant is capital and can be used only for the purposes for which it has been given. There is a requirement for the Chief

Executive and Chief Internal Auditor to provide a written declaration upon completion that all conditions have been adhered to.

- 35 Acceptance of the grant is deemed to be acceptance of the terms and conditions attached to the grant. The Authority's Chief Finance Officer is required to sign and return a declaration upon acceptance of the grant to confirm that the Council understands and accepts the conditions.
- 36 No further prudential borrowing can be incurred as a result of this programme. Cost overruns must be absorbed, value engineered or funded from other means. The Council's revenue budget, for the past two years, has been supported by Exceptional Financial Support through a capitalisation direction. This means that the Council has borrowed to fund day-to-day expenditure.
- 37 Any further financial changes to this scheme must be reported to the Finance Sub-Committee at the earliest opportunity following consultation with the Section 151 Officer.

#### *Human Resources*

- 38 There are no direct implications from the recommendations in this report.

#### *Risk Management*

- 39 If Council does not accept the 2025/26 grant or defers the decision such that the DfT return deadline cannot be met, DfT may withdraw their grant funding towards the MEB. As a result, the scheme would be unaffordable and could not proceed. Consequently, the Council would need to write off £27M of sunk costs.

#### *Impact on other Committees*

- 40 The decision to accept the grant is necessary to proceed to the necessary decisions of Highways & Transport Committee required to progress the Scheme to construction.

#### *Policy*

<b>Commitment 1: Unlocking prosperity for all</b>
Communities connected through an improved, accessible rural and urban transport network including active travel

#### *Equality, Diversity and Inclusion*

- 41 There are no direct implications from the recommendations in this report.

*Other Implications*

- 42 There are no direct implications from the recommendations in this report.

*Consultation*

<b>Name of Consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
<i>Statutory Officer (or deputy) :</i>			
Ashley Hughes	S151 Officer	31/07/25	01/08/25
Janet Witkowski	Acting Monitoring Officer	31/07/25	01/08/25
<i>Legal and Finance</i>			
Mandy Withington	Principal Lawyer	31/07/25	31/07/25
Aaron Lecroy	Principal Finance Officer		
<i>Executive Directors/Directors</i>			
Phil Creswell	Exec Director Place	01/08/25	01/08/25

<b>Access to Information</b>	
Contact Officer:	Paul Griffiths Paul.griffiths@cheshireeast.gov.uk



Appendices:	<p>Appendix 1 – MEB Grant Announcement, 8 July 2025</p> <p>Appendix 2 – 2025/26 Grant Determination, 23 July 2025</p> <p>Appendix 3 – Scheme history and milestones</p>
Background Papers:	None.