

# CHESHIRE EAST COUNCIL

## CABINET

---

**Date of Meeting:** 1 August 2011  
**Report of:** Strategic Director – Places  
**Subject/Title:** Crewe Green Link Road – Department for Transport Funding Bid  
**Portfolio Holders:** Councillor Jamie Macrae, Cabinet Member for Prosperity  
Councillor Rod Menlove, Cabinet Member for Environmental Services

---

### **1.0 Report Summary**

- 1.1 Delivery of the Crewe Green Link Road South is a key infrastructure priority for Cheshire East and will deliver major transport benefits across the south of the Borough and enable development of the Basford East Strategic Site.
- 1.2 This paper provides an update on progress made in securing Department for Transport Funding (DfT) for Crewe Green Link Road South (CGLRS) and seeks approval to submit our 'best and final bid' (Final Submission) for funding.

### **2.0 Decision Requested**

- 2.1 To agree the submission of the council's final submission to the Department of Transport and delegate the final details of the bid to the Strategic Director Places in consultation with the Borough Solicitor, Borough Treasurer and relevant Portfolio Holders.
- 2.2 To note the current expected content and funding profile of the submission to Department of Transport including the financial implications for Cheshire East, as detailed in Section 7.
- 2.3 To note the overall timescales and key dates for the project and the requirement for the council to contractually commit to the scheme and funding agreements only at the next stage of Department of Transport approval. This is anticipated to be in September 2013.

### **3.0 Reasons for Recommendations**

- 3.1 The final submission is required to be submitted to the Department for Transport by the 9 September 2011. One of the key elements of the proposal will be to demonstrate deliverability of the scheme and Cheshire East Council support is essential to the process.

### **4.0 Wards Affected**

- 4.1 Haslington and Crewe East

## 5.0 Local Ward Members

- 5.1 Cllr John Hammond, Cllr David Marren  
Cllr Margaret Martin, Cllr David Newton, Cllr Chris Thorley

## 6.0 Policy Implications including - Climate change - Health

- 6.1 The completion of CGLRS will provide traffic relief to one of the busiest road corridors in the Borough, the A534 in Crewe. This relief will:

- Reduce congestion and therefore carbon from transport use benefiting climate change
- Reduce vehicular exhaust emissions in an air quality management area, therefore benefiting health
- Make walking and cycling more attractive supporting wider health benefits from physical activity

The completion of CGLRS is also a fundamental part of delivering the council's 'All Change for Crewe' strategy, centring on LDF growth aspirations for Crewe and in opening up the Basford East Strategic employment site for future employment / regeneration opportunities

## 7.0 Financial Implications (Authorised by the Borough Treasurer)

### Funding bid

- 7.1 The basis of the funding bid is that once the council has requested a 'final' sum of funding from the DfT this cannot be further increased.
- 7.2 The council will not be contractually committed to the construction of the CGLRS until it receives a tendered price for the scheme, land acquisition is completed and the DfT has given 'Full Approval'.
- 7.3 Further cabinet approval will be sought prior to the submission of our 'Full Approval' bid (Currently anticipated for September 2013)
- 7.4 The final funding profile is anticipated to be:

DfT contribution (up to)	£17.0M
Existing Developer Funding	£4.0M
Local Authority LTP Funding (over 3 / 4 years)	£1.75M
Future Developer Funding *	£5.0M
<b>TOTAL (out-turn)</b>	<b>£27.75M</b>

\*Future Developer Funding may not be available during the construction period for the road and therefore the Council may be required to forward fund (via prudential borrowing or other means) pending future receipt of section 106/Community Infrastructure Levy resources.

- 7.5 DfT funding (£17.0M) is expected to provide approximately 60% of the cost of the project.

- 7.6 The Existing Developer contribution forms an index linked sum as part of existing signed S106 agreements. This link to construction inflation and potential minor revisions to the original planning briefs is expected to yield at least £4.0M.
- 7.7 The Local Authority LTP Funding can be spread over a three/four year period and would constitute a similar level of contribution in the LTP programme to the Alderley Edge bypass, the obligations for which will be complete by the time LTP funding is required for the Crewe Green Link Road scheme. Thus the existing level of LTP funding for other types of schemes can be maintained at similar levels to today.
- 7.8 The forecast future Developer funding is linked to the future development of either the Basford East development site or funding from developments in the wider Crewe area.
- 7.9 The Basford East Development site is partly dependent on the Crewe Green Link Road scheme. As such, it is proper for any future development that comes forward on this site (subject to due process / planning / public consultation, etc) to contribute to the link road. Given the size of the development site and, after consideration of the viabilities of a range of possible options, officers are confident that a minimum contribution of £5.0M can be secured from this development. This Developer Contribution may arise under future S106 agreements and/or land arrangements with the developing landowners and the Council will want these Developer Agreements in place before its formal "Full approval" submission.
- 7.10 However, some/all Developer Funding may not be available during the construction period for the road and therefore the Council may be required to forward fund these costs pending receipt of developer contributions and, if and to the extent it can be used for such purpose application of Community Infrastructure Levy.
- 7.11 This paper is not seeking final approval for the LTP funding or to forward fund developer contributions as a further paper will be submitted to Cabinet following DFT approval and more detailed cost analysis and profiling. However the total funding package must be submitted as part the DFT final submission and as stated above, DFT approval on this sum cannot be increased at a later date. It is therefore important that the potential financial implications are agreed in principle at this stage prior to the final submission of our business case.

## **8.0 Legal Implications (Authorised by the Borough Solicitor)**

- 8.1 Obligations including to make payments under a S106 agreement only come into effect if the planning permission to which it relates is implemented which is in the discretion of the developer/landowner. Also the contracting party can apply to vary any S106 obligations under planning legislation Further, third parties' could challenge the planning permissions so the S106 provisions are not secure until the challenge period expires and the permissions are free from challenge.

- 8.2 It is probable that any obligations under land arrangements as referred to in 7.9 would be conditional and/ or dependent upon the success of the developer/ land owners` own developments. The certainty or probability of payment will need to be reviewed before a decision is made on the “Full Approval” submission.
- 8.3 Section 206 of the Planning Act 2008 confers the power to charge Community Infrastructure Levy (CIL) on certain bodies known as charging authorities. Cheshire East Council is a charging authority.
- 8.4 Regulation 60(1) of the Community Infrastructure Regulations 2010 allows CIL to be used to reimburse expenditure already incurred on infrastructure in certain circumstances. Officers will further research whether and if so to what extent CIL could be applied towards this scheme.

## **9.0 Risk Management**

### Funding

- 9.1 DfT has made it clear that they expect the level of funding requested in the final submission to be lower than previously agreed. Currently, the anticipated request for DfT funding is likely to be approximately £2M lower than previously requested
- 9.2 A potential risk is the timing of any (Basford East) development brief, agreed planning requirements, off site infrastructure requirements, planning applications and planning permissions. This means that it is possible that the council will not be in a position to draw down the necessary finance as it is required. In this situation, the council would, before formally submitting our ‘Full Approval’ bid (September 2013), have to be prepared to ‘forward fund’ the developer contribution and ‘claw back’ its costs through the subsequent Basford East planning / legal agreements.
- 9.3 In the event that no (Basford East) planning brief is agreed, or no or insufficient developer proposals or planning permissions are forthcoming, then as a fall back position, the council may have the opportunity to recover some of its costs through the forthcoming Community Infrastructure Levy (CIL) which will have to be in place in conjunction with the council’s emerging LDF (currently shown as adoption in December 2014) It can be shown that the CGLR scheme would be a pre-requisite to cope with the wider traffic generation issues posed by the emerging LDF growth proposals for Crewe. As above, this possibility requires investigation in legal and financial senses.
- 9.4 Even if developer contributions are secured under legal agreements, there remains the risks including those mentioned in Legal Implications and the risks of developer default due to insolvency, bankruptcy, etc.
- 9.5 Since the DfT is providing a fixed sum of funding, the council will have to accept a degree of risk around issues such as land costs and construction inflation.
- 9.6 The funding profile / request for the scheme is partly made up of a quantified risk register (QRA) which is intended to mitigate the risks to the authority.

Professional advice has been sought in producing the QRA and contains elements of risk around areas of the scheme, including for example:

- ◆ Extended rail possessions
- ◆ High inflation scenarios
- ◆ Delays associated with the Compulsory Purchase process

9.7 The QRA currently stands at approximately £4.6M on a £27.75M scheme, and is considered to be adequate to cover the risks to the authority, whilst still allowing a competitive bid for funding to be achieved.

9.8 The scheme costs and risks will be further refined through to the BAFB submission date in September 2011 in order to tone the bid to be as competitive as possible as additional intelligence becomes available.

#### Delivery

9.9 With reference to 9.1 above the council needs to be mindful of the reputational risk to the authority if the amount of funding requested in the BAFB proves insufficient to deliver the scheme and for this reason the scheme is not delivered

9.10 There is now increasing certainty around aspects of the scheme design, including the largest component: the Network Rail Bridge.

#### Land Assembly and Planning

9.11 Other risks to the successful implementation of the project include the successful resolution of a re-submitted planning permission for the scheme and the successful acquisition of the land required through either negotiation or the compulsory purchase process.

### **10.0 Background and Options**

10.1 The strategic employment area at Basford East and West represent a significant location for business and employment, and will be a major catalyst for our growth ambitions for the south of the Borough. A location plan is attached at Appendix A.

10.2 CGLRS is a major component of the wider transformational regeneration plans for Crewe which aim to deliver additional GVA in the region of £250 million per annum, through the creation of up to 12,500 jobs in high value employment over the next 20 years. A plan showing the arrangement of the scheme is contained in Appendix B.

10.3 CGLRS will also unlock the strategic potential of the two major employment sites at Basford, which are the key to realising these aspirational plans. CGLRS will provide direct access to transformational employment generating opportunities, through the creation of a high quality science-oriented business and innovation park, and stimulate significant levels of investment and economic growth for Crewe and the wider sub-region.

- 10.4 Following an intense period of negotiations and discussions with DfT, Basford East is now gearing up for delivery after twenty years of delays and false starts on the site. Basford West has moved into delivery phase.
- 10.5 A funding bid for CGLRS was submitted to the Department for Transport in March 2009 by the former Cheshire County Council.
- 10.6 In April 2010, the previous Government administration announced the granting of provisional funding of £18.7M towards the construction of the link road.
- 10.7 Following the change in Government in May 2010, an immediate halt to the national major scheme programme was announced and the 'quashing' of decisions made by the former administration. The new Government also announced a new process it will use for determining funding for major schemes.
- 10.8 This new process streamlined the Governments approval procedure and introduced three Categories of schemes:

Category	Explanation
'Development Pool'	A shortlist of schemes competing to be promoted to the 'Supported Pool'
'Supported Pool'	A scheme that the Government is minded to fund subject to the scheme achieving the necessary 'Statutory procedures' (such as land acquisition and planning permission)
'Full Approval'	Once Statutory procedures have been completed the government formally releases funding for the scheme.

- 10.9 The Crewe Green Link Road scheme was included in the Development Pool. Given, the well publicised reductions to national spending (including transport) even at this stage many competitor major transport schemes were excluded. Schemes not included in the development pool will have to wait their turn, with the possibility of funding being made available in the next spending review period (2014/15 – 2019/20). The SEMMMS major road scheme in the North of the Borough is one such example.
- 10.10 Those schemes successfully included in the development pool are now the subject of a competition to be promoted to the Supported Pool. It is the intention of Government that subject to their being no major scope changes to a scheme, every scheme that is promoted to the Supported Pool would, after achieving its required statutory procedures be awarded Full Approval and be funded.
- 10.11 In total 45 schemes nationally are included in the Development Pool with an estimated cost of £945M. The DfT has funding of £630M over the spending review period (2011/12 to 2014/15) which means that the likely funding request for schemes is approximately 1.5 times the available budget.

10.12 In order to determine which of the Development Pool projects the Government supports, the DfT has instigated a competition for funding. The last date for submission of information to the DfT is the 9<sup>th</sup> September 2011. The Government has committed to announcing which schemes will be promoted to the Supported Pool by the end of 2011.

10.13 The following criteria will apply when considering the relative merits of proposals:

Reduction in level of Government funding (formally) requested;  
The impact of the scheme on the Economy and the 'Carbon' agenda;  
A measure of how certain the 'deliverability' of the scheme is (to time, etc);  
The level of support for the scheme;  
The 'Cost-Benefit' of the scheme through an approved transport model;  
The amount proportion of funding that can be spent in the spending review period

10.14 An update on each of these areas is provided thus:

#### 10.14.1 Reduction in level of Government Funding

A review of the costs and risks associated with the scheme has been undertaken and is being further refined. For example, good progress has been made in Land Negotiations with the Duchy of Lancaster and the rail bridge design has been progressed further. It is anticipated that these savings and other 'Value Engineering' measures will bring the cost down to approximately £27.75M (outturn)

No 'guidance' has been issued by central government on the level of reduction the government are expecting to see. Examining a range of competitor schemes, it would seem that they lie in the region of a 10-25% reduction.

At this stage the indicative reduction in DfT contribution is approximately 10%

#### 10.14.2 The impact of the scheme on the Economy and the 'Climate' agenda

The credentials of the scheme here are well established and we anticipate scoring strongly in this area. Briefly, the scheme opens up the Basford East development site, which subject to the rigours of future planning process / LDF will open up a range of employment opportunities.

The scheme also improves access to the existing Basford West development site which has an existing planning permission.

We can also demonstrate that the scheme is required to facilitate the wider growth of Crewe as envisaged by the 'All change for Crewe' strategy.

The scheme is broadly carbon neutral with the detailed traffic modelling showing a minor reduction in vehicle emissions due to shorter trips and less traffic congestion across the wider road network

#### 10.14.3 How certain / deliverable is the scheme

Anticipated to be one of the key areas the DfT will examine. The current programme key dates are:

- Renewal of planning permission by – September 2011
- Promotion to 'Supported Pool' - Jan 2012
- Agreement of target price with contractors– June 2013
- Land Assembly – completion by - June 2013
- DfT Full approval– Oct 2013
- Rail under bridge works – Easter 2014
- Rail under-bridge works – Xmas 2014
- Main construction works an road open – Jan to Nov 2015

Detailed programming and planning has been undertaken to be able to demonstrate to the DfT that this programme is readily achievable.

Finally, it would be beneficial (though not critical) for our Final submission if we can demonstrate that the scheme has been granted planning permission. It is anticipated that many competitor schemes in the 'Development Pool' will not have passed this statutory hurdle – so giving the CGLR scheme a competitive advantage if it can be considered in time. A formal planning application was submitted to the council in early June 2011.

#### 10.14.4 The level of support for the scheme

In order to demonstrate the level of support for the scheme, a range of evidence will be drawn on to demonstrate this in the Best and Final bid – including:

- ◆ 5 weeks of pre-application planning consultation, including targeted events in the Basford, Weston area
- ◆ Presentation to Weston & Basford Parish Council
- ◆ The outcomes of the 'All change for Crewe' consultations / events
- ◆ Support and a 'joint' lobbying document from the Cheshire & Warrington Local Enterprise Partnership
- ◆ Extracts of findings from the recently completed 'Business Needs' survey

#### 10.14.5 The 'Cost Benefit ratio' of the scheme

Worked is underway to re-asses the cost benefit value of the scheme using a revised methodology in line with the government's new values. This work will not be fully complete before late August, however, early signs are positive and a strong result is anticipated.

#### 10.14.6 Spend of Dft monies in the spending review period.

The current programme shows that approximately 80% of DfT funding can be spent within the spending review period and officer view is that given that some competitor schemes are at the less advanced stage of development than CGLR this presents a favourable aspect of our 'final bid'.



10.15 As part of the DfT process we were required to submit 'interim' (non binding) information on our scheme by the 24<sup>th</sup> June. This information is contained in Appendix C. For the purposes of this submission and for presentation purposes, it was a requirement that only external 'secured' funding could be shown as a third party contribution, with any external funding still to be legally secured shown as a Local Authority contribution. We anticipate feedback on this information in time for our final September submission.

## **11.0 Access to Information**

The background papers relating to this report can be inspected by contacting the report writer:

Name: Paul Griffiths

Designation: Principal Transportation Officer

Tel No: 01270 686353

Email: [paul.griffiths@cheshireeast.gov.uk](mailto:paul.griffiths@cheshireeast.gov.uk)