

# CHESHIRE EAST COUNCIL

## Cabinet

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| <b>Date of Meeting:</b>  | 11 <sup>th</sup> April 2017                   |
| <b>Report of:</b>        | Frank Jordan, Executive Director of Place     |
| <b>Subject/Title:</b>    | Middlewich Eastern Bypass                     |
| <b>Portfolio Holder:</b> | Cllr David Brown, Highways and Infrastructure |

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### 1. Report Summary

- 1.1. The Council has responded to the concerns of residents and businesses in Middlewich by seeking means to secure the delivery of the Middlewich Eastern Bypass. Middlewich is a key service centre hosting four strategic sites for employment and housing. The bypass is a strategic highway scheme which will facilitate future sustainable growth in and around Middlewich
- 1.2. The Council took control of delivery of the bypass in 2015 and an intense programme of works has been underway since that time to achieve the objective of delivering the bypass. This approach was supported by a successful bid to the DfT's Development Funding programme for "Fast Track Local Major Schemes". This has enabled the Council to prepare an Outline Business Case to Government with a view to securing a capital funding award that will enable delivery of the scheme. Without this intervention from the Council, it is unlikely that the scheme would have progressed in the interim period.
- 1.3. In November 2016, Cabinet authorised feasibility work to finalise the options appraisal and business case, undertake appropriate consultation and prepare a funding plan for the preferred option to enable submission of the Outline Business Case to Government for the Middlewich Eastern Bypass.
- 1.4. This report details how the Outline Business Case has been prepared and provides the evidence that this is a scheme of high value-for-money. This business case is intended to secure a Government funding contribution which would enable delivery of the scheme. Cabinet is asked to endorse the Outline Business Case and agree that it be submitted to the Department for Transport for assessment. It is anticipated that a decision on acceptance of the scheme into the Local Majors Funding Programme will be determined by Ministers in the Summer 2017.
- 1.5. All activities necessary to complete an Outline Business case in accordance with DfT's published guidance (WebTAG) have been

completed, to ensure that the documentation provided to Government enables the scheme to be assessed for funding. The Core Elements of this submission are, as follows;

- **Strategic Case**
- **Economic Case**
- **Financial Case**
- **Management Case**
- **Commercial Case**

These are supported by the necessary technical reports, including;

- Options Assessment Report
- Report of Traffic Surveys
- Appraisal Specification Report
- Local Model Validation Report
- Traffic Forecasting Report
- Land Valuation Report
- Ground Investigations Primary Sources Report
- Report on Community & Stakeholder Engagement.

Delivery of this suite of documents fulfils the Council's obligations with regard to the bid to the Department for Transport's Fast Track Development Funding stream. This report recommends that Cabinet endorses submission of these documents to Government as a bid for programme entry and associated grant funding to deliver the Middlewich Eastern bypass. Subject to approval of this funding application, the delivery programme for Middlewich Eastern Bypass is expected to reach completion in 2020/21 (see Appendix 2).

## **2. Recommendations**

Cabinet is recommended to

- 2.1. Endorse and note the submission of the Outline Business Case for Middlewich Eastern Bypass to the Department for Transport.
- 2.2. Agree that the Outline Business Case demonstrates that the proposed scheme (Preferred Option) fulfils the strategic objectives of the bypass, and that these can reasonably be considered to be affordable, achievable and value-for-money at this stage of project development.

- 2.3. Authorise the Executive Director of Place, in consultation with the Portfolio Holder for Highways & Infrastructure to make all necessary arrangements for the preparation of a Planning Application for the preferred route option. It is anticipated that this application will be submitted to the Planning Authority towards the end of 2017.
- 2.4. Authorise the Executive Director of Place, in consultation with the Chief Operating Officer (Section 151 officer) and the Portfolio Holder for Highways & Infrastructure to agree a funding strategy for the project, especially the local funding contributions, in accordance with the funding requirements set out in this report.
- 2.5. Note that Cabinet receive future reports on the outcome of the bid for grant funding from DfT and the submission of a planning application for the project.

### **3. Options Appraisal**

- 3.1 During the feasibility stage, detailed appraisal of options has been completed giving consideration to the strategic objectives of the bypass, environmental constraints, costs and deliverability.
- 3.2 Eight possible alignments for the bypass, including the existing consented route, have been assessed as part of the options appraisal. In November 2016, Cabinet approved a recommendation to consider Option 5 as the preferred scheme. The next best option, at this stage, is considered to be Option 1. (Appendix 1).
- 3.3 These options were appraised in detail during preparation of the Outline Business Case. In summary, the Outline Business Case provides detailed evidence to support this order of priorities.

### **4. Reasons for Recommendation**

- 4.1. There is a demonstrable need for infrastructure improvements in Middlewich to improve traffic flow and alleviate congestion. This is demonstrated through the traffic appraisal work completed as part of the business case. In addition, there is considerable local public support for the proposals, which is demonstrated by the outcomes of the Middlewich Transport Consultation which took place in August / September 2016. Through this consultation, 79% of respondents stated that there are severe issues affecting roads in Middlewich, with a further 15% considering the issue less severe, but still significant. When asked about priorities for improving transport, overwhelmingly the top priority for respondents was building a bypass (355 responses) exceeding the total number of preferences for all other interventions combined.
- 4.2. Earlier this year an opportunity was identified to apply to the Department of Transport (DfT) for funding for further scheme development during the current financial year through the fast-track stream of their Large Local Major Transport Schemes programme. The bid was successful and funding of £1.257m was awarded by DfT, which in addition to the Council's previously approved funding commitment of £0.75m, now gives a total

budget of approximately £2m for the development of the scheme to Outline Business Case (OBC) stage by 31<sup>st</sup> March 2017.

- 4.3. The Middlewich Eastern Bypass was one of only seven schemes nationally to have been awarded a share of the £10m funding available through the fast-track programme reflecting the strength of case that has been made to date. The award of DfT funding defined the requirements for development of the scheme to OBC stage in accordance with the Treasury's business case requirements. This work is now completed and ready for submission to the DfT.
- 4.4. Entry to the Large Local Major Programme requires rigorous assessment and compliance with well established DfT process and procedures in the assessment of the two options. The requirements are understood and are well known to the Council, with previous schemes having been subject to DfT requirements and progressing successfully.
- 4.5. The Outline Business Case has been prepared in accordance with DfT's technical guidance with the preliminary designs for the road prepared in accordance with the Design Manual for Roads and Bridges. The scheme will provide a bypass to the town centre and enable access to the Midpoint 18 strategic employment/logistics site. The bypass will support the economic growth agenda for Middlewich and the sub-region, facilitating 1,950 new dwellings and 6,500 additional jobs in the town.
- 4.6. The scheme is consistent with Cheshire & Warrington LEP's Strategic Economic Plan and is a key element of the HS2 Growth Strategy for the Northern Gateway & Constellation Partnership. It is considered to be policy compliant as it is embedded in the new Local Plan for Cheshire East which has recently been subject to Examination in Public, followed by a positive report from the Planning Inspectorate. The connectivity benefits from the scheme are realised by mitigating traffic congestion in the town and relieving delays on roads linking mid Cheshire towns – especially Middlewich, Winsford & Northwich – via the A54 to the M6 Junction 18.
- 4.7. The Business Case demonstrates that the scheme achieves High Value-for-Money, with a Benefit:Cost Ratio of 2.7. The OBC provides evidence to support a high degree of certainty over the accelerated delivery programme, in particular, there is considerable certainty that land can be assembled by negotiation, without the need for Compulsory Purchase. Completion is expected by the end of 2020.
- 4.8. An award of funding for the bypass, based upon a favourable outcome from the OBC, does not guarantee that future DfT funding meets all capital costs of the scheme. The bid is based on a 20% local contribution, comprising a mix of Cheshire East Council and developer contributions. It is essential that all avenues for funding continue to be investigated to identify the scale of funding which will be required from other funding sources, such as from nearby developments.

## 5. Background

- 5.1. The bypass has been a consented scheme for a number of years following the development of a scheme by Cheshire County Council to provide a bypass to the town centre and enable access to the Midpoint 18 strategic site. Initial sections of the scheme from the A54 have been constructed since 2000.
- 5.2. Development and delivery of the bypass was originally in the hands of the Private Sector, with funding largely flowing from development opportunities, but after the award of a planning consent for the Midpoint 18 masterplan and completion of the bypass in 2006, economic uncertainties restricted opportunities for further substantial development and funding opportunities for construction of the remainder of the bypass became severely restricted.
- 5.3. Due to continued lack of progress on the scheme the Council took control of delivery of the bypass in 2015 and a programme of works has been underway since that time to achieve the objective of delivering the bypass, whilst also developing the scheme to suit a broader set of local and regional objectives that have evolved since the original route was conceived. This approach was supported by a successful bid to the DfT's Development Funding programme for "Fast Track Local Major Schemes". This has enabled the Council to prepare an Outline Business Case to Government with a view to securing a capital funding award that will enable delivery of the scheme. Without this intervention from the Council, it is unlikely that the scheme would have progressed in the interim period.
- 5.4. An application for "Fast Track Local Major Schemes" funding was made through the Cheshire and Warrington Local Enterprise Partnership, accompanied by letters of support from key stakeholders and developers. The application was required to demonstrate the strategic need for the bypass, alignment with local, sub-regional, and national policies; and presented the economic case for the bypass based upon estimated scheme costs and monetised benefits.
- 5.5. Securing this development funding from DfT was an important step in the delivery of the scheme but does not guarantee subsequent capital funding from DfT. Future approval of the OBC will move the scheme onto the DfT's Large Local Major Transport Schemes programme which will make future funding more likely, though not guaranteed.
- 5.6. The May report to Cabinet detailed the Strategic Case for the bypass and outlined how the objectives in the Strategic Case would be used in the options appraisal to develop a preferred solution.
- 5.7. The Strategic Case stated the primary objective for the bypass as being 'To deliver a highway scheme which functions as a bypass to deliver the traffic solution for Middlewich'. In so doing, the bypass will contribute to the following strategic outcomes;

- To support the economic growth agenda for Middlewich and the sub-region, facilitating the delivery of 1,950 dwellings and 6500 jobs in the town
- To mitigate problems of traffic congestion in the town, and on the strategic network linking mid Cheshire to M6 Junction 18
- To improve environmental conditions within the town, through reductions in traffic-related noise, air quality and severance.
- To facilitate the delivery of a package of complementary measures to support town centre regeneration, accessibility and public realm.

5.8. Implicit within these objectives are considerations relating to :

- The quality of the bypass alignment and route standard
- Alleviation of traffic congestion on the local highway network
- Alleviation of road safety concerns on the local highway network
- Impacts on non-peak journeys in terms of distance travelled and time taken

5.9. The May report also identified key requirements to be delivered by the bypass and their relative importance. It also outlined how the Strategic Case would be used as a primary “filter” of route options, followed by an assessment against site constraints and the delivery of the key requirements, to evaluate each route to objectively assess the relative merits of each option.

5.10. The key requirements were :

- Fulfilling the delivery of the Local Plan
- Delivery of further development opportunities
- Facilitation of high growth city HS2 objectives (Northern Gateway)
- Facilitation of an east-west by-pass (strategic future proofing)
- Connectivity with Cledford Lane
- Supporting the delivery of a new railway station site
- Facilitating rail opportunities
- Timeliness of delivery and length of construction period.
- Environmental impacts
- Cost effectiveness of environmental mitigations.

These factors have informed the assessment of the various options for the bypass, informing the recommendation of options to develop further for the Outline Business Case.

- 5.11. Throughout the feasibility stage, the Council has engaged with the land-owners / developers with interests affected by any of the options. As we proceed, this engagement will continue through this Stakeholder Engagement Group. This reflects the need to ensure that the project governance for the Fast Track process must be consistent with the Councils corporate project governance and assurance procedures, with major project assurance provided through the EMB giving members oversight of the programme.

## **6. Wards Affected and Local Ward Members**

Middlewich and Brereton Rural

- 6.1. Cllr Simon McGrory
- 6.2. Cllr Michael Parsons
- 6.3. Cllr Bernice Walmsley
- 6.4. Cllr John Wray
- 6.5. In addition, the Portfolio Holder for Highways & Infrastructure met with Middlewich Town Councillors on 14<sup>th</sup> December 2016 to discuss the options for the bypass. Periodic progress updates will be provided during on-going development of the proposals.

## **7. Implications of Recommendation**

### **7.1. Policy Implications**

The Scheme supports the emerging Local Plan Strategy Policy CO2 and is included in the associated Infrastructure Delivery Plan. The Eastern By-Pass also aligns strongly to Cheshire and Warrington Strategic Economic Plan and it is included in the Local Transport Plan 2015 Policy B2 – Enabling Development

### **7.2. Legal Implications**

In accordance with the Council's Finance Procedure Rules (E21) Officers must seek Member approval before submitting any bid for specific grant funding that is aligned with the Council's priorities.

As outlined in the previous report to Cabinet (November 2016) the outputs of this Outline Business Case Stage will be prepared to ensure that the relevant requirements of the statutory planning process are met.

Engagement of key stakeholders, residents and members of the public is an obligation of the local authority during the planning and delivery of major highway projects. The proposed approach to consultation and engagement will ensure that the Council takes appropriate measures to discharge its obligations to stakeholders before confirming a preferred route option. That route will, of course, be subsequently subject to the normal, formal consultation process. The responses to the consultation will need to be conscientiously taken into account when Cabinet makes any future decisions.

The route of the scheme, alternative schemes, funding of the scheme, land acquisition, costs of land acquisition, potential consideration of the need for use of Compulsory Purchase Powers, and consideration of procurement and State Aid issues have all yet to be considered. All of these points will need separate legal consideration at the relevant time, on the points they raise, in light of the powers under the Constitution. In addition, funding to be provided by a capital contribution from the Council will have to be identified and form part of a capital bid and be a Key Decision.

As outlined in the Financial Implications below, the amount of funding from the Council is dependant on how much third party funding may be available through developer contributions. The Council is subject to strict rules on the pooling of funds through s106 agreements and cannot pool more than 5 contributions from such agreements. Additionally, there are significant drawbacks on the Council forward funding infrastructure projects on the basis of potential s106 funds. In particular, s106 agreements cannot be obtained for projects that have already been completed. The receipt of s106 monies is conditional on the terms of the individual s106 agreements and the ability of the developer to pay. It may be the case that valid s106 agreements never lead to the receipt of funds so this funding stream is not guaranteed.

### 7.3. Financial Implications

The Middlewich Eastern By-Pass will be delivered through a blend of scheme funding including third-party developer contributions secured by the Council. The viability and affordability of any scheme is a fundamental part of the Outline Business Case process.

A detailed cost estimate has been prepared to inform the Outline Business Case using specialist engineering and property cost consultants. The following table summarises the main cost elements for the scheme (preferred option). No prior expenditure is included in these values, which should be considered cost estimates to completion from 1<sup>st</sup> April 2017.

| Scheme Element                       | Estimated Outturn Costs<br>(2017 Q1 prices) |
|--------------------------------------|---------------------------------------------|
| Construction incl. Preliminary works | £33.10m                                     |
| Site supervision costs               | £2.03m                                      |

|                                  |                |
|----------------------------------|----------------|
| Land acquisition & Part 1 Claims | £5.30m         |
| Statutory utilities              | £0.75m         |
| Design fees                      | £5.33m         |
| Inflation allowance              | £4.24m         |
| Risk Allowance                   | £7.73m         |
| <b>Total</b>                     | <b>£58.48m</b> |

The funding strategy for this project is reliant on a successful bid to the DfT's Large Local Major Schemes programme. The costs of Middlewich Eastern Bypass significantly exceed the LEP's guideline value (£48m), which is used to indicate when a scheme is unlikely to be funded through the Local Growth Deal (LGF). It is clear that LGF is not an appropriate funding route for this project.

The bid to the Large Local Majors programme will seek to maximise the reliance on local funding sources, referred to as the Local Contribution, from both Cheshire East Council and third party (developer) sources. However, there is a need to ensure that reliance on these funding sources is viable and does not adversely impact on the likelihood of future commercial or residential development being delivered. Therefore, for the purposes of this scheme, it is proposed that the local funding contribution be set at 20% of total scheme costs, with the remainder sought as grant funding from Government. DfT has indicated that this funding mix would be consistent with that adopted in bids for other Large Local Majors. Therefore, the funding mix for inclusion in the Outline Business Case is proposed as follows:

| <b>Funding Source</b>     |                       | <b>Value £<br/>(2017 Q1 prices)</b> |
|---------------------------|-----------------------|-------------------------------------|
| DfT Grant                 |                       | £46.78m                             |
| Local Contribution        | Cheshire East Council | £4.43m                              |
|                           | Third party           | £7.27m                              |
| <b>Total scheme costs</b> |                       | <b>£58.48m</b>                      |

At this stage, third party contributions are estimated based upon committed or current S106 developer agreements (or equivalent). Over time, the proportion of third party funding is likely to change in response to development activity within the local area. For this reason, the local funding contribution is presented as a combination of both Council and Third party funding. Any change in either

element will have a direct impact on the funding obligation arising from the other source.

The Outline Business Case submitted to Government must include a statement by the Council's Section 151 officer confirming the funding strategy for the project, especially the local funding contributions necessary to match a DfT grant award.

Preparatory work to date on the project has been funded through a blend of Council and DfT resources. The Council's successful bid for DfT Local Majors Development Funding awarded £1.257m from DfT, which in addition to the Council's previously approved funding commitment of £0.75m, now gives a total budget of approximately £2m for the development of the scheme to Outline Business Case (OBC) stage by 31<sup>st</sup> March 2017. At this time, the Council's expenditure to date on the project is approximately £1.5m, with £1.257m funded by DfT grant.

Cabinet should note that there is currently no approved budget to proceed to a Planning Application. Any commitment to further work will be made only with the prior approval of the S151 officer in consultation with Councillor Groves, Portfolio Holder for Finance.

#### **7.4. Equality Implications**

Equality implications will be considered in the options appraisal and completion of the Outline Business Case

#### **7.5. Rural Community Implications**

Any future planning application will require an Environmental Assessment which will take into account the effect on the rural community.

#### **7.6. Human Resources Implications**

N/A

#### **7.7. Public Health Implications**

The recommendations have no immediate impact on public health. Issues associated with noise and air quality will be assessed as part of the ongoing programme of works associated with the bypass leading ultimately to an Environmental Assessment.

#### **7.8. Implications for Children and Young People**

N/A

#### **7.9. Other Implications (Please Specify)**

N/A

## **8. Risk Management**

- 8.1. Key risks to the Council continue to relate to the affordability of the scheme and this will be addressed through the continued development of the high level funding strategy.
- 8.2. The Council will be required to accept all responsibility for cost increases beyond the cost envelope stated in a business case that is approved for funding by DfT.
- 8.3. Risk management issues are unchanged from previous Cabinet reports. A risk register has been produced in the preceding stages of the project development and this will be reviewed and updated through the current stage of works. Capital cost risks are informed by a comprehensive Quantitative Risk Assessment, with a risk allowance of £7.7million included in the scheme costs. For appraisal purposes, a level of Optimism Bias is applied to uplift estimated costs by 44%, in accordance with DfT guidance, to ensure that the value-for-money of the scheme is not overstated.

## **9. Access to Information/Bibliography**

- 9.1. The background papers relating to this report can be inspected by contacting the report writer.
- 9.2. Documents are held on file at :

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## **10. Contact Information**

Contact details for this report are as follows:

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