

# Norfolk County Council

## Extraordinary Meeting

Date: **Wednesday 2 September 2015**

Time: **10.00 a.m**

Venue: **Council Chamber, County Hall, Norwich**

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### **Prayers**

### **To Call the Roll**

### **AGENDA**

1. **To receive any announcements from the Chairman**
2. **Members to Declare any Interests**

If you have a Disclosable Pecuniary Interest in a matter to be considered at the meeting and that interest is on your Register of Interests you must not speak or vote on the matter. It is recommended that you declare that interest but it is not a legal requirement.

If you have a Disclosable Pecuniary Interest in a matter to be considered at the meeting and that interest is not on your Register of Interests you must declare that interest at the meeting and not speak or vote on the matter.

In either case you may remain in the room where the meeting is taking place. If you consider that it would be inappropriate in the circumstances to remain in the room, you may leave the room while the matter is dealt with.

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an Other Interest in a matter to be discussed if it affects:

- your well being or financial position
- that of your family or close friends
- that of a club or society in which you have a management role
- that of another public body of which you are a member to a greater extent than others in your ward.

If that is the case then you must declare such an interest but can speak and vote on the matter.

### 3. **Norwich Northern Distributor Road Budget**

Report of the Executive Director of Communities and  
Environmental Services and the Executive Director of Finance

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Chris Walton  
Head of Democratic Services  
County Hall  
Martineau Lane  
Norwich  
NR1 2DH

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For further details and general enquiries about this Agenda please contact the Assistant Head of Democratic Services: Greg Insull on 01603 223100 or email [greg.insull@norfolk.gov.uk](mailto:greg.insull@norfolk.gov.uk)



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# County Council

Item No 3

<b>Report title:</b>	<b>Norwich Northern Distributor Road Budget</b>
<b>Date of meeting:</b>	<b>02 September 2015</b>
<b>Responsible Chief Officer:</b>	<b>Tom McCabe (Executive Director CES) Simon George (Executive Director Finance)</b>
<b>Strategic impact</b>	
<p>The Northern Distributor Road (NDR) is an essential piece of transport infrastructure that releases an estimated £1bn of economic benefits for Norwich and Norfolk by reducing congestion and offering new access to key strategic employment and growth locations.</p> <p>This report updates Members on the final target cost for the scheme and asks Members to approve a mechanism to fund a budget shortfall of £29.9m.</p>	

## Executive summary

The NDR is an important opportunity for NCC to deliver on its aspiration of good infrastructure that enables growth through housing and jobs that will be a powerful boost for the economy of Norfolk. It draws on significant funding from Government and from pooled Community Infrastructure Levy (CIL) contributions from district partners in recognition of the economic benefits to the area. However the scale of the project is such that this still represents a heavy capital investment for NCC.

The final target cost process has resulted in a shortfall in funds of £29.9m.

The Department for Transport (DfT) and the New Anglia Local Enterprise Partnership (LEP) have both indicated their intent to contribute £10m each, leaving the County Council to find up to £10m to enable the project to commence, as planned, this autumn.

### Recommendations:

Members are asked to:

- 1. Accept the funding proposals from DfT and the LEP and confirm an NCC contribution of up to £9.9m to meet the budget shortfall;**
- 2. Approve the funding mechanism set out in paragraph 2.8 to deliver the additional funds of up to £9.9m to support the NDR and approve an adjustment to the 2015-18 capital programme to reflect the additional budget requirement and funding as set out in this report.**
- 3. Subject to the approval by DfT of the NDR 'full approval' submission, the Council confirms the award of the Stage 2 construction works to Balfour Beatty, to set the project in motion for an anticipated October 2015 start.**

## 1. Funding position

- 1.1 The NDR has completed the statutory processes necessary for the construction phase to commence, subject to finalising funding. The background to the recent NDR statutory processes and the strategic importance of delivering the NDR are included in **Appendix A**. This report sets out the budget required to deliver the NDR and options to consider the funding shortfall.
- 1.2 The construction cost of the NDR has been developed with Balfour Beatty Civils Ltd (BB), the main contractor already appointed. The contract is a two stage contract, with Stage 2 only awarded if approval is given to the 'target cost' developed for the works.
- 1.3 The original budget figures for the NDR construction costs were provided by the contractor in 2013 and used during the Examination in Public (EiP) process. Since completion of the EiP in December 2014, continued and more detailed work has been undertaken to finalise the ultimate design and develop the construction 'target cost' for the project with BB. The previously reported budget is shown at **Appendix B**. The target cost process for the project was concluded with BB on Thursday 6 August 2015 and details were then reported to Members during w/c Monday 10 August 2015.
- 1.4 The final target cost of the NDR construction work is now £26.4m more than expected, a significant part of an overall budget increase of £29.9m. The main reason for this is high construction inflation in the last two years, a direct result of the two-year delay to reconfirm approval of the scheme (in December 2011).
- 1.5 There are also some additional items that have arisen during the Development Consent process and higher specifications that must be met for drainage and other items including wildlife and environmental measures. Many of these were as a consequence of agreeing details with the statutory environmental organisations. These have all increased the cost of the work required and details are set out in section 2 of this report.
- 1.6 Since the shortfall emerged, officers have been working to find a solution which included discussions with the DfT and the New Anglia LEP. As a result, both DfT and the LEP have indicated intention to each provide a £10m contribution. This collaborative approach to resolve the shortfall is very welcome and much appreciated, and clear recognition of the strategic importance of the project to the East Anglia region.
- 1.7 However, this means there is up to a £10m shortfall. The County Council now needs to determine how to deal with the shortfall, on the assumption that Members are committed to the project.

## 2. Financial Implications

- 2.1 Key changes to the project costs have emerged following further work on developing the target cost since completion of the Examination in Public, with a resulting increase of £29.9m. These are set out in more detail in **Appendix C**, but are summarised in this table:

	<b>2013 (£m)</b>	<b>2015 (£m)</b>	<b>Notes</b>
<b>Construction Cost</b>	77.8	104.2	These figures represent the budget pricing provided by Balfour Beatty (BB), and include significant value engineering. The £104.2m figure is based on final target cost details from BB.
<b>Statutory Undertakers</b>	8.7	8.3	Further detailed work has enabled a reduced budget allocation for utility diversion works.
<b>Land Cost</b>	16.2	17.2	Land costs have increased as a consequence of additional project timescales and an increase in development which has inflated land values.
<b>Preparation, Risk and Contingency</b>	18.0	19.75	This includes fees, risk and contingency allowances. It includes an increase due to additional fees associated with the DCO process.
<b>Supervision Cost</b>	1.1	1.3	Slightly increased costs following a review and allowing for laboratory staffing.
<b>Total NDR Budget</b>	<b>121.85</b>	<b>150.75</b>	
<b>Postwick Hub</b>	26.7	27.7	£1.0m cost increase due to additional work largely due to specification/ legislative changes. This is the out-turn cost expected at completion of works.
<b>Total Budget</b>	<b>148.55</b>	<b>178.45</b>	

- 2.2 The significant reasons for the change in construction costs are provided in the following table:

Change	Comments
Road Construction Inflation  £16.4m	A major upturn in the construction sector and increase in the prices received in 2015 from the supply chain compared with the budget figures developed late 2012/early 2013. Independent analysis, discussed in more detail below, indicates inflation impacts in this period could be up to 20%. The BB target price reflects a construction cost increase of around 18.7%.
Design Development  £5m	Includes additional items not within the original BB 2013 costs, developed in the period ahead of and during the examination in public. These include offline junction details, archaeological investigation, environmental works and supervision, additional fencing and access tracks to reach agreement with landowners, and signing and lighting details.
Design Standards  £5m	Includes extensive changes to include: <ul style="list-style-type: none"> <li>- Higher specification bat gantries and bat houses required to gain permissions through the DCO process (£1m)</li> <li>- Additional construction constraints (notably at the airport) built in as 'requirements' in the DCO, resulting in more night working and restricted working hours and practices (£1.9m)</li> <li>- Increased landscaping areas and landscaping provision developed to off-set concerns regarding the environmental impact of the NDR (£2m)</li> <li>- Changes to the bridge structures as a result of detailed design development (£1m)</li> <li>- Extensive changes to the drainage design as a result of further detailed design development and to meet Environment Agency requirements (£2m)</li> </ul> The above equate to £8m, however these costs have been part of an extensive 'value engineering' process with BB that has reduced this to the £5m total shown.

## Construction Inflation

- 2.3 The primary reason for the increase in construction cost, not including the design changes set out above, is as a result of a major increase in road construction industry inflation. Details setting out the implications of this inflation are included in **Appendix D**. This includes reference to an independent assessment of inflation.
- 2.4 **Appendix D** also sets out the assessment by NCC of the target price provided by BB. It also includes a high level comparison between the A11 dual carriageway project (Elveden to 5-ways Roundabout) and the NDR. This provides an indication that the cost per mile for the A11 project was £13.7m, and the cost per mile for the NDR is £12.5m.

## Original Budget

- 2.5 The total budget of £148.55m has previously been reported to Cabinet and Committee, the details of which are provided in **Appendix B**. The existing County Council contribution of £20.34m is funded from capital receipts.
- 2.6 The Community Infrastructure Levy (CIL) is a levy on development. As part of the City Deal, Broadland, Norwich and South Norfolk councils, working with the County Council through the Greater Norwich Growth Board, are pooling the majority of CIL revenues. At the 17 March 2011 Greater Norwich Development Partnership Policy Group meeting it was agreed to use a significant proportion of future CIL revenues to establish a shared investment fund to support delivery of priority 1 key infrastructure projects and this includes up to £40m of local investment for the delivery of the NDR and related measures.
- 2.7 In March 2014 the Greater Norwich Growth Board (GNGB) agreed to pool its CIL income (not including the neighbourhood element or the proportion retained to cover its administrative costs) across greater Norwich to pay for strategic infrastructure. A formal legal agreement is currently being drafted to agree the terms of the funding contribution from CIL between the GNGB partners. Further details in relation to CIL are shown in **Appendix G**.

## Consequences for additional funding for NCC

- 2.8 The additional £9.9m funding required from NCC to meet the extra cost of the NDR project can be provided by contributions from within the Highways and Transport Service, made up from the following sources:
- Funding from 2015/16 can be provided (i.e. in year) to cover the additional £1m cost of the Postwick Hub junction works. This has primarily been made available by deferring a large bridge maintenance project to future years.
  - Funding from reserves previously developed within the Highways Service to deliver revenue savings. £2m can be diverted to support delivery of the NDR.
  - Funding from a £1.9m per annum contribution from the Highways Capital Programme for the next 3 years (£5.7m), and a £1.2m contribution in year 4, totalling £6.9m over the period.
- 2.9 Officers have explored other options for funding the £9.9m shortfall:
- a) Use of un-earmarked capital receipts: There are currently none available. The bulk of recent capital receipts have already been hypothecated to the existing Council contribution to the NDR (paragraph 2.5 above).
  - b) Borrowing: Assuming an asset life of 40 years, and the current PWLB 40 year rate of 3.2%, the annual revenue cost of borrowing £9.9m would be £0.564m. This would be an additional cost that would need to be found on top of the council's existing £111m savings target.
- 2.10 A summary of the cost contributions, based on the revised total project cost is provided in the following table:

<b>Funding Source</b>	<b>Total Contribution</b>	<b>Percentage of Total</b>
DfT (including additional £10m and £19m Postwick Hub)	£96.49m	54.1%
Community Infrastructure Levy (underwritten by NCC)	£40.00m	22.4%
NCC (direct funding contribution including additional £9.9m)	£30.25m	17.0%
New Anglia LEP (underwritten by NCC)	£10.00m	5.6%
Growth Point funds to facilitate accelerated housing (previous 2012 provision)	£ 1.71m	0.9%
<b>Total</b>	<b>£178.45m</b>	<b>100%</b>

- 2.11 There are impacts of moving funding from the Highways and Transport capital programme and these are set out and discussed in **Appendix E**. Whilst it is not an ideal situation, officers have worked up options that, on balance are considered reasonable given the scale of our continued investment in the highway asset.

### **3. Issues and risk management**

- 3.1 The contract for the NDR was originally awarded in 2009 to Birse Civils Ltd, part of the Balfour Beatty parent company. The BB Majors team were the contract leads responsible for delivering the A11 Elveden to 5-ways roundabout Dual Carriageway project. This was delivered on time and to budget.
- 3.2 NCC is not obliged to enter into the construction phase of the NDR contract with BB. The contract is structured so there are two stages, with stage 1 being Early Contractor Involvement. Stage 2 is only progressed if both parties can agree a target price for the works. This has been used for the Postwick Hub works.
- 3.3 The contract target cost is not a 'fixed price' and it can go up or down during the construction period. However the contract is heavily incentivised as both parties share the savings if the project is below the target price. A further incentive is being written into the NDR contract to provide a share of any savings made by completing the project below the overall budget allocation.
- 3.4 Key risks for the project delivery through construction have been identified and assessed as part of the development of the target cost and will be assessed by DfT as part of their full approval processes. The NCC budget includes provision for around 5% (just over £5m) in construction phase risk and contingency. This compares with the Postwick project, which has seen an increase of £1m (from £26.7m to £27.7m), which equates to a 3.75% overall budget increase.
- 3.5 There has also been significant learning from the delivery of the Postwick Hub project. In planning the delivery of the NDR project, the experience from this is being applied and includes the early delivery of utility diversion works, advance



works for archaeology and environmental mitigation, all ahead of the main construction works commencing, so that these are not delayed (which adds to costs).

### **Land Compensation Act (1973)**

- 3.6 Under Part 1 of the Act, compensation can be sought by people who own and also occupy certain property that has been reduced in value by physical factors caused by the use of a new or altered road but have not had any land acquired for the scheme itself. Details and cost implications of this are included in **Appendix F**.

## **4. Alternatives considered**

- 4.1 It would be possible for the County Council to re-tender the works to try and reduce costs or to decide to stop the scheme.
- 4.2 Given that the NDR is at the point of being able to be delivered, with all statutory processes completed and a viable funding package assembled, neither of these are considered sensible.
- 4.3 There would be a six month delay with re-tendering and with a high risk that even higher costs would be obtained.
- 4.4 Delivery of the NDR will also signal that Norfolk is open for business and is investing in the infrastructure necessary to support good jobs, good transport and good housing provision, which is fundamental to supporting one of our strategic priorities of “putting people first” in everything we do, to improve opportunities and wellbeing. All underpinned by our priorities for Norfolk: excellence in education, real jobs, good infrastructure and supporting vulnerable people.

### **Officer Contact**

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

If you have any questions about matters contained in this paper please get in touch with:

**Officer Name:** David Allfrey      **Tel No:** 01603 223292

**Email address:** [david.allfrey@norfolk.gov.uk](mailto:david.allfrey@norfolk.gov.uk)



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## Appendices

A	Background and Strategic Implications
B	NDR Project Budget from April 2014 Cabinet Report
C	NDR Project Cost Comparison 2013 to 2015
D	Construction Inflation
E	Highways Capital Programme Impacts
F	Land Compensation Act (1973)
G	CIL Receipts and Draft GNGB Legal Agreement Details
H	FAQ's

## Appendix A

### Background and Strategic Implications

- 1 The baseline budget cost for the project was updated after the 2010 government spending review as part of the 2011 DfT 'Development Pool' funding process. Following NCC's Development Pool submission in September 2011, DfT committed £86.5m overall for the NDR (which included a £19m contribution for Postwick Hub, which has already been drawn down from DfT as part of the ongoing construction works).
- 2 The total project cost figure was set out in the April 2012 Cabinet report as £141.5m. That report included details of the DfT Development Pool submission, including costs for an NDR to the A140 junction only, as required by DfT as the element of the project they are contributing to.
- 3 The project costs also included a budget allocation of £26.7m for Postwick Hub, including a £3m NCC contribution toward the access improvements necessary to the Park and Ride site, which has been absorbed in the overall NDR budget. The £141.5m figure also included a high-level estimate of £40m for a dual carriageway from the A140 to the A1067.
- 4 The construction costs were checked again during late 2012 by BB, based on supply chain pricing. A budget submission for construction of the NDR to the A1067 was £77.8m (not including Postwick), which was consistent with the figures in the April 2012 Cabinet Report. This was received from BB in early 2013 and was used for the DCO application.
- 5 The valuations above were the basis of figures used in the budget profile (**Appendix B** below) that was reported to Cabinet in April 2014, ahead of the examination in public. This included other project changes since April 2012 that were also reported to Cabinet and that increased the budget to £148.55m.
- 6 The NDR has now completed the statutory processes following an examination in public during 2014 and the subsequent approval of the necessary Development Consent Order (DCO) by the Secretary of State in June 2015. The examination was conducted by three Inspectors appointed by the Planning Inspectorate on behalf of the Secretary of State for Transport. All aspects of the project were thoroughly tested by the Inspectors during the examination, including assessing all the key issues raised by objectors to the scheme and all land owners impacted by it.
- 7 In 2012 Cabinet decided to follow the Nationally Significant Infrastructure Project route for approval to provide a fast-track decision making process including a single consent – the Development Consent Order. Whilst there has been some increased fee costs (see table in section 3 below) associated with this process, which has been very intensive (more than anticipated at the time), this decision has been vindicated on the basis that there is now an approved DCO from the Secretary of State broadly complete to the timescales set out in 2012.
- 8 The evidence base for the NDR has been thoroughly tested during the examination in public, with expansive documentation published as part of that

process. Ultimately the Planning Inspectors, and then the Secretary of State, have accepted that the case for the NDR is sound and the DCO has been approved as a consequence.

- 9 Alternative options to the NDR were also explored, assessed and discussed during the examination in public. The case for the NDR outweighed all alternatives that have been considered, which is part of the fundamental test undertaken by the Inspectors. It therefore remains the best overall solution to deliver the transport improvements for Norwich that will support the planned for growth in housing and employment and provide a link from the trunk road network to Norwich airport. It also provides improved access to north and east Norfolk.
- 10 A summary of the key objectives of the NDR provided in the evidence base is:
  - Reduce traffic levels, and thereby relieve congestion, on the existing road network within the urban area and beyond to the north of the city centre.
  - Facilitate journeys that are already difficult and congested and require traffic to use residential and minor roads that are inappropriate for the type and volume of traffic that is currently accommodated.
  - Provide access to and thereby help to deliver planned and potential areas of growth, and enable those areas to be free of the need to incorporate provision for extraneous through traffic.
  - Provide improved transport connections between existing and future areas of residential and employment development and with the national strategic road network as well as improving connections with Norwich International Airport and the wider area of North Norfolk.
  - Increase the opportunities for improving provision for public transport and other sustainable forms of transport and for improving traffic management within the City Centre, thereby encouraging modal shift.
  - Improve traffic related environmental conditions for residents in the northern suburbs of Norwich and outlying villages, whilst minimising the adverse environmental impact of the NDR.
- 11 This now paves the way for the NDR to be built and enables the wider Norwich Area Transport Strategy (NATS) improvements, called 'Transport for Norwich' (TfN), to be fully realised over the next 10 to 15 years. This will see improved transport infrastructure for the Greater Norwich Area including bus, walking, cycling.
- 12 The provision of TfN infrastructure is vital to improve the quality of life of residents and visitors while supporting the local economy. TfN also supports the growth required within Broadland, Norwich and South Norfolk as part of the adopted Joint Core Strategy (JCS) and City Deal. Significant growth in employment and housing in greater Norwich supports the economy across a much wider area of Norfolk. The NDR, and the TfN projects it supports, are fundamental transport elements within the JCS that will unlock major areas of growth, providing new infrastructure that will support the delivery of at least 8000 new homes, 140ha of employment land and up to 18,000 new jobs. It is also an essential infrastructure improvement underpinning New Anglia LEP's Strategic Economic Plan.

- 13 The need for the scale of growth proposed, the locations for growth, and the infrastructure required to support it, have been developed over a number of years through the local plan process by authorities working in partnership, and tested by independent inspectors at a series of public examinations. Failure to deliver the NDR, or significant delay, would have a very serious impact on the ability to deliver planned growth and require the review of the JCS.
- 14 Uncertainty around NDR delivery and the local planning strategy can be expected to have a negative impact on investor confidence, and delay or prevent the delivery of planned houses and jobs. As the overall need for growth would remain, reduced delivery of houses and uncertainty around the delivery of sites associated with the NDR would lead to a planning “free for all” as it would have a significant impact on the districts’ ability to demonstrate a “5 year land supply” for housing. In the absence of a demonstrable supply, development on unplanned and less sustainable sites is much more likely to be approved on appeal.
- 15 Delivering the NDR will unlock around £1bn of economic benefit to Norwich and Norfolk, after the costs of the project are allowed for. The transport benefits, excluding Postwick Hub and taking account of the current forecast additional construction cost, provide a cost/benefit ratio of 6.50. This is 'very high' value for money using DfT assessment criteria. The increase in cost of £29.9m does not undermine or change any of the evidence, and the value for money test remains sound.

## Appendix B

### NDR Project Budget from April 2014 Cabinet Report

#### Project Delivery - Financial profile for Dual Carriageway NDR including Postwick Hub

	Financial Year								Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Future years		
Capital Spend Profile with identified funding sources shown below									
DfT			5.00	19.00	43.50				67.50
Postwick Hub CIF Funding		2.40	16.60						19.00
Growth Point Funding	1.36	0.35							1.71
NCC (LA Contribution) – Supported by GNDP funding up to £40m	1.81	3.95	8.25	8.65	20.00	16.68	1.00* (Note 1)		60.34
<b>TOTAL</b>	<b>3.17</b>	<b>6.70</b>	<b>29.85</b>	<b>27.65</b>	<b>63.50</b>	<b>16.68</b>	<b>1.00</b>		<b>148.55</b>

Note 1 – Remainder of airport radar funding costs to be spread over years from 18/19 to 21/22.

## Appendix C

### NDR Project Cost Comparison 2013 to 2015

	2013 Q1 base year estimates	2013 Summary	2015 Q2 Current Forecast	2015 Summary
	£m	£m	£m	£m
<b>Construction Cost</b>				
Base Construction Cost excluding fee	66.4		93.5	
Risk Allowance (Contractor)	2.4		3.4	
Contractor fee	3.0		4.1	
Inflation allowance to outturn	6.0		3.2	
<b>Total Construction Cost</b>	<b>77.8</b>	<b>77.8</b>	<b>104.2</b>	<b>104.2</b>
<b>Statutory Organisations</b>				
Statutory undertakers	7.3		6.3	
Airport radar	1.4		2.0	
<b>Total Statutory Organisation Cost</b>	<b>8.7</b>	<b>8.7</b>	<b>8.3</b>	<b>8.3</b>
<b>Land Cost</b>				
Land Cost	14.3		16.2	
NPS & NPLaw fees (Agents and Legal fees for landowners included above)	1.0		1.0	
Inflation allowance 2013 to outturn	0.9		0	
<b>Total Forecast of Outturn Land Cost</b>	<b>16.2</b>	<b>16.2</b>	<b>17.2</b>	<b>17.2</b>
<b>Supervision Cost During Construction</b>				
Supervision	1		1.3	
Inflation allowance 2013 to outturn	0.1		0	
<b>Total Forecast Outturn Supervision Cost</b>	<b>1.1</b>	<b>1.1</b>	<b>1.3</b>	<b>1.3</b>
<b>NCC Fees, Contingency and Risk</b>				
Risk Allowance (NCC)	2.9		2.1	
Fees, Design & other Contingency	15.1		17.65	
<b>Total Risk and Contingency</b>	<b>18.0</b>	<b>18.0</b>	<b>19.75</b>	<b>19.75</b>
<b>Total NDR Budget</b>		<b>121.8</b>		<b>150.75</b>
Postwick Hub Budget		26.7		27.7
<b>Total</b>		<b>148.5</b>		<b>178.45</b>

## Appendix D

### Construction Inflation

1. The primary reason for the increase in construction cost, not including the design changes set out above, is as a result of a major increase in road construction industry inflation. Whilst there could be a view that the original inflation allocation for construction was too low, this was thoroughly checked at the time of developing the overall construction budget figures, both for the Development Pool submission, and again for the early 2013 budget price.
2. The inflation allowance in the 2011 Development Pool bid to DfT was set at 2% per annum to 2017. This reflected inflation forecasts at that time in a very depressed construction sector, with minimal investment looking likely in the short to medium term.
3. In order to receive an independent perspective of construction inflation, an external report was commissioned to advise the County Council on the target cost prepared by BB. This has provided an assessment of construction industry inflation from 2010 to present. In their assessment they show increases initially broadly in line with the low level inflation originally anticipated in the Development Pool bid. However, a significant increase is then evidenced in the period from late 2012 to present.
4. This impact has enabled an understanding of whether the figures provided by BB within their target cost are reflective of market conditions and explain the increase compared with the 2013 budget prices that were previously used.
5. The report sets out the following:

“..... when discussing different statistics in this report, we have made reference to both “Cost” and “Price” indices. To clarify, a “Cost” index reflects changes to input costs to the contractor, e.g. labour, materials and plant. A “Price” index represents the change in price to the end-user, i.e. the Client, therefore a price index will include the contractor input costs plus the associated overhead and profit margin.”

“The Department of Business, Innovation and Skills (BIS) ROADCON TPI (formerly known as the BIS Tender Price Index of Road Construction) measures the movement of prices in tenders for road construction contracts in England, Scotland and Wales. It includes road contracts for New Construction, Motorway Widening and Major Maintenance schemes costing over £100,000. The index is now updated and maintained by the BCIS [Building Cost information Service].”

“If we consider the total inflation between the three indices from 1Q2010 to 1Q2015, the following figures would be achieved:

• BCIS All-in TPI	+23.4%
• BCIS Civil Engineering TPI	+30.5%
• BIS ROADCON TPI	+36.3%
6. Whilst the above details refer to inflation from 2010 to 2015, reviewing the details further shows a marked increase since early 2013 to 2015. The profile for the BIS ROADCON TPI shows around 14% increase for the approx. 3 year period



from early 2010 to late 2012 and a further 22% for the approx. 2 year period from late 2012 to early 2015.

7. This compares and aligns with the assessed 18.7% increase in prices set out in the tables above when looking at the target cost (based on pricing developed from May 2015) vs the budget price (based on pricing from late 2012) that have been provided by BB. It should be noted that this relates to the 'price' index as defined above, which is a representation of the costs the supply chain are providing to clients when setting out their tender proposals.
8. The prices provided by BB have been assessed by NCC. Most of the prices are based on submissions from three sub-contract providers, with the lowest prices being those included in the target cost. A high cost area that was not based on 3 prices was the pavement surfacing. Pricing for this has been developed with Tarmac (formally Lafarge Tarmac) as they are the largest supplier in the region for surfacing materials and the only supplier locally with capacity to service a project of the scale of the NDR.
9. However, these prices have also been assessed by comparisons with the term contract that the NCC Highways service already holds with Tarmac. This has demonstrated that the costs provided for the NDR remain slightly lower when compared with the term contract. This is significant, as it demonstrates the effort made to secure competitive prices, considering that the Highways term maintenance contract was also secured before the increase in construction costs since early 2013.
10. In addition, a high level assessment has been made of the A11 dual carriageway project. That project was delivered by the Balfour Beatty Major Projects team and was delivered on time and to budget. The cost per mile for that scheme has been assessed as £13.7m (this includes an adjustment for inflation). The comparative cost for the NDR based on the latest pricing (and not including Postwick Hub which is already in construction) is £12.5m per mile. There are a significant number of variations that need to be considered between the two projects, but this assessment does at least give an overall feel for the project costs.

## Appendix E

### Highways Capital Programme Impacts

- 1 The implications of removing funding from the Capital Programme are a reduction in the scope of structural maintenance works over that period. This will see reductions in the delivery of maintenance projects for surfacing, footway and drainage. The surface dressing programme budget is not being reduced as this provides the most cost effective way of trying to maintain the condition of the highway network.
- 2 The reduction in structural maintenance will see an increase in the maintenance backlog over the period (from 2016/17 to the end of 2019/20). This has been assessed as adding approximately £1.5m per annum to the overall backlog, based on a reduction in investment on the A and B road network.
- 3 In real terms, the reduction in structural maintenance will see a reduction primarily in the number of footway maintenance and surfacing schemes delivered each year across the county. As a general guide, comparing with 2015/16 budgets, this will result in a 10% reduction in footway reconstruction projects (down to an annual spend of £2.75m) and a 20% reduction in re-surfacing schemes (down to an annual spend of approximately £3.8m).
- 4 The Capital Improvement programme has been reduce over recent years to £2m per annum. The LTP allocation to improvement projects is proposed to reduce to £1.592m in 16/17 and possibly down to £1.3m thereafter. However, there is significantly more external funding available, in particular through successful Local Growth Fund and other bids (and also not including developer funding beyond that already known). We will seek further external funding opportunities via the LGF and engaging constructively with the corporate bidding team.
5. There already remains significant investment in capital improvement projects over the next 3 years, notably through Local Growth Funding, and in Norwich specifically from external funding to deliver Transport for Norwich projects. The Challenge funding provided to NCC will also see significant investment in drainage improvements in the north of Norwich over the next 2 years. Examples of funding provided for other projects across the County are:
  - £2m towards improvements at Longwater Junction, Norwich including Longwater Lane signals improvement, free flow slip road from Dereham Road westbound onto A47 eastbound, part signalisation of the Longwater southern dumbbell roundabout, Dereham Road widening to two lanes in each direction (west and mid/east sections) and Easton village public transport corridor.
  - £2m towards the final design stages and planning consent for a new bridge crossing of the River Yare to the south of Great Yarmouth, linking the South Denes peninsula (containing the port area) to the trunk road network.
  - £2m for a better transport interchange at Great Yarmouth rail station, connections by foot and cycle between the rail station and the Market Place contributing to the provision of a well-designed, high quality built environment.
  - £4.6m for town centre transport improvements at Attleborough including sustainable transport measures and maintenance of the main road network to support growth in and around Attleborough.

- £2.3m for improvements to Thetford town centre including the Thetford-Croxton Road cycle link and maintenance of the main road network.
- £9m for measures to connect key employment and business sites, maintain the existing road network and ease congestion in Great Yarmouth.

## **Appendix F**

### **Land Compensation Act (1973)**

1. Under Part 1 of the Act compensation can be sought by people who own and also occupy certain property that has been reduced in value by physical factors caused by the use of a new or altered road but have not had any land acquired for the scheme itself. The physical factors are noise, vibration, smell, fumes, smoke and artificial lighting and the discharge on to the property of any solid or liquid substance. Other factors such as the loss of view or privacy cannot be included in the claim for compensation.
2. The DfT process specifically requires that the application for funding excludes any budget allowance for potential Part 1 claims and so they are not included in the budget figures. The NDR scheme has been designed to minimise the impact of physical factors where possible. For example extensive earth bunding is proposed along the route. A low noise road surface is proposed and new road lighting has been kept to a minimum.
3. Claims can be made after the road has been open to traffic for 1 year and must be settled within the six years following the first claim day. Details will not be known until any claims are made. It is expected that future Highways capital budget may need to absorb any costs which could be up to £1m per annum from 2018/19 to 2024/25 if received.

## **Appendix G**

### **Anticipated CIL receipts**

CIL receipts are determined by the level of housing and other development. The Greater Norwich Growth Board is committed to delivering 37,000 new homes across the Greater Norwich area by 2026. Total CIL receipts are estimated to total approximately £76m across this period.

### **Summary of the Draft Legal agreement relating to GNGB partner draw-down and borrowing Authorisations**

A legal agreement is currently being drafted that contractually confirms the:

- Greater Norwich Growth Board's previous written agreement to pool up to 80% of their annual CIL receipts;
- GNGB's agreement to contribute £40m, via borrowing undertaken by the County Council, to the cost of the NDR; and
- GNGB's agreement that the pooled funds will be used to repay loans undertaken by the County Council for the purposes of funding strategic transportation infrastructure. Interest will be charged at the prevailing PWLB Project Rate at the time of commencement of the drawdown of funds.

## Appendix H

### Frequently Asked Questions

**Will there be a financial cap written into the contracts relating to either the current projected additional spend or any future additional expenditure, and if so what will these caps be?**

There are no caps written into the NDR contract. The contract does however include incentives for all parties to aim to complete the works for a figure below the initially agreed 'target cost'. The contract is following industry best practice and we have confidence regarding the pricing for the works and the ability of the contractor (Balfour Beatty) to deliver to time and budget based on our current experience of working with them on the Postwick Hub junction. We have also reviewed their delivery of the A11 Elveden to 5-Ways Roundabout Dual Carriageway project, which was also delivered to time and budget in 2013.

**How frequently were the project costs reviewed internally, and if so when was the last review?**

The project costs were based on budget pricing provided from the contractor in 2013, based on outline details and pricing from the supply chain. This was completed ahead of entering into the process of delivering the Development Consent Order submission and going through the associated public examination, completed in December 2014. It has only been since then that the final details of the project have been developed to enable the contractor to provide a detailed final target cost for the works, which is a significant process to complete. This work has now concluded and has been the reason we have now (in 2015) been able to assess the scale of the budget increase.

**What is the relationship between NATS, the Joint Core Strategy and the NDR?**

NATS illustrates how transport is to be delivered over the coming years, some of which will be determined according to growth proposals in the Joint Core Strategy. The NATS implementation plan (Transport for Norwich - TfN) sits alongside the Joint Core Strategy, acting as a more detailed transport element. An essential element of NATS/ TfN is the NDR as this releases the opportunity for wider improvements for the city centre, bus provision and walking and cycling. The NDR also provides necessary access to key strategic employment and growth locations. The Joint Core Strategy recognises the importance of the NDR to the growth agenda for Norwich and that it is fundamental to the delivery of the strategy.

**What is the type of contract used for the NDR?**

The conditions of contract for the NDR are the core clauses and the clauses for the main Option C (Target Cost) of the NEC3 Engineering and Construction Contract June 2005 (with amendments June 2006). Stage 1 of the Contract is Early Contractor Involvement (ECI) and Stage 2 is the construction of the works and can be instructed in various 'sections', Postwick being Section 1 and the NDR would form Section 2.

**Couldn't public transport improvements such as Bus Rapid Transit solve existing problems in fringe parishes?**

The scope for significant improvements in public transport is limited without the NDR. High-quality services such as Bus Rapid Transit would be difficult or impossible to introduce on some routes, including those to the north and east of Norwich, without adding to congestion for other road users.

The NDR provides an alternative route for drivers and by doing so will reduce traffic driving through the city centre via radial routes into the city and unsuitable residential streets. The NDR creates capacity that allows significant improvements to public transport, walking and cycling, making them more attractive travel choices. It is intended that these sustainable transport modes will become more popular over time as they become established as a better alternative to using the car.

### **What about public transport? Will there be bus lanes?**

The NDR will not include separate bus lanes. However, an NDR is included in the NATS strategy to free up road space on the existing network for buses and to give a choice of transport options. Public transport is also an important part of NATS on its own. There will be increased levels of bus priority on some of the radial routes from the NDR into the city.

### **Will we replace any trees that have been removed?**

Yes. As well as buying land for the road, we will also be purchasing land to provide areas for planting and wildlife. The alignment of the road has also been developed in order to minimise the impact to the landscape and trees.

### **Why aren't we going under the railway at Rackheath?**

This is technically unworkable due to groundwater conditions, most notably standing groundwater at road level. There is a high risk of flooding and there would need to be a permanent pumping system in place. We are also in the hands of Network Rail who have demanded a substantial maintenance sum. All these issues would have increased this option by over £10million.

### **Why is Buxton Road going over the NDR?**

This is to reduce the impact of the NDR on residential properties in Spixworth and those along Buxton Road.

### **Why are we going round and not crossing the airport?**

There are long term development plans regarding the use of the airport. There would also be huge structural and compensatory costs.

### **Why not invest money into public transport?**

We looked at other options and comprehensive schemes would have cost the same if not more than building the NDR and benefit less people. There has also already been substantial investment in public transport as part of NATS, including the new bus station and an extensive park and ride service. There does remain the need to take further steps to enable more enhancements, such as bus rapid transit.

### **How are we going to drain the road?**

Through a comprehensive sustainable drainage system. The detail of this can be seen on the plans in the form of shallow grass channels along the road and infiltration ponds.

### **What are you doing about landscaping?**

The areas adjacent to the road will be landscaped to minimise the visual intrusion of the road. This will include lowering the road in certain places, and using woodland to screen the road from nearby residents. The landscaped areas will provide additional habitats for birds and other animals and will consist of native plants, shrubs and trees. During the landscape design process the character of the Norfolk countryside will be respected, and habitat creation and tree planting will at all times seek to be sympathetic to the surrounding countryside. Wildflower and grassland seed mixes will be used to encourage insects to provide food for birds and bats.

### **When will the NDR be built?**

The Postwick Hub junction at the A47 east of Norwich is already being constructed and is expected to be completed by December 2015.

The NDR from Postwick to the A1067 is planned to start in October 2015, with initial environmental mitigation works and site clearance, archaeological investigations and utility apparatus diversions. The main road construction works are then planned to commence in February/March 2016 and the road will be open to traffic by December 2017.

### **Where can I find up-to-date plans and further information on the NDR?**

Up-to-date plans and further information can be found on Norfolk County Council's website.

### **How do land and property owners find out more about compensation?**

There are a series of booklets published by the Department for Community and Local Government which outline your rights for compensation.

The booklets can be viewed on <http://www.highways.gov.uk/aboutus/1445.aspx>