

From: [dft]
Sent: 23 July 2015 10:53
To: [dft]; [dft]
Cc: [dft]; [dft]; [dft]; [dft]; [dft]; [dft]; [dft]
Subject: RE: NNDR

Categories: Egress Switch: Unencrypted

Short of providing additional funding, we could do the following to help Norfolk deal with this problem:

- Advance payment of IT Block payments (and even maintenance block) as was done with Manchester. They would of course forego future payments. On ITB we are currently paying Norfolk £4.141m annually over the next five years. On maintenance we are paying the following amounts over the next three years - £28.637m, £26.253m, £25.459m.
- Broker discussion with the New Anglia LEP as we did in the case of Croyley.
- Help them understand the evidence for the wider housing and other development that the road will allow so they can better negotiate with developers. For a scheme which is supposed to allow very high levels of housing it is strange that there are no developer contributions from housing developers or even the Airport.
- Offer to talk to HMT on Norfolk's behalf to see if they would extend their prudential borrowing (as was done with Croyley) if Norfolk are at their limit.

xxxx xxxx | , Local Transport Funding Growth & Delivery Division, Department for Transport
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From: [dft]
Sent: 23 July 2015 09:24
To: [dft]; [dft]
Cc: [dft]; [dft]; [dft]; [dft]; [dft]; [dft]
Subject: RE: NNDR

Thanks xxxx very clear.

We also need to consider what we can do to help, short of just giving them more money. What solutions can we offer?

xxxx

Mr xxxx xxxx | xxxx, Local Transport, Department for Transport
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Local Transport Directorate promotes growth in English regions

From: [dft]
Sent: 23 July 2015 09:12
To: [dft]; [dft]
Cc: [dft]; [dft]; [dft]; [dft]; [dft]; [dft]
Subject: FW: NNDR

Thanks for the comments on this issue. We have now received a request for a meeting with John Dowie from the Exec Director of Community and Env Services at Norfolk CC to discuss this although this may be taken over by xxxx. I thought I would set out the main points as to why we should not agree to provide additional funding for the scheme. They are:

- The Government's policy has for many years been that it will not provide additional funding for such schemes from that agreed at programme entry. This is particularly an issue for NNDR as the development pool process under which it was agreed was a competition where promoters bid for a lower amount of funding or descope their schemes so to change policy now would be at the expense of other scheme promoters. Whilst we haven't specifically sought the Minister's view on this issue he has made it clear that he does not want to change previous policy in this general area.

- Additionally Norfolk's S151 officer signed up to the conditions at PE.

- We have rejected similar claims in the past both following formal requests and informally. Examples are E Sussex asking for an additional £30m for the Bexhill-Hastings scheme and s Yorkshire asking for c£6m for the Bus Rapid Transit scheme.

- We do not have surplus funding to provide to a scheme as all the LA majors funding (both development pool and the more recently agreed LGF funded schemes) as well as funding for pinch points and maintenance challenge fund schemes is in one pot and has been allocated over the next few years.

- Even if we were to find that we had spare funding caused by an underspend on other schemes, providing it to this scheme would set a dangerous precedent which we would find difficult to agree for future such requests. In particular the Leeds NGT scheme is still being costed at £250m but the passage of time means this is likely to increase in cost when it next comes in for approval and the promoter is likely to seek (possibly significant) additional funding above the £173m already approved.

- Whilst the above policy has been broken for Croxley this was a very exceptional scheme which became very political and even then the LEP put in a considerable amount of extra funding by descopeing one of their other schemes. The cost increase was some £100m.

- For LGF funded scheme we say cost increases should be dealt with by the LEP which is one of the core principles of the LGF system. Whilst Norfolk will argue that their LEP will say this is a legacy scheme, it is still a fundamental part of the Strategic Economic Plan so the LEP should be the first port of call for additional funding.

- In this particular case, as John will remember, DfT is paying for only part of the scheme (from A47 to A140). Norfolk has obtained legal orders for the full scheme (round to the A1067) and are paying for the additional section. We should say they could use that additional funding to pay for the smaller scheme leaving the A14-A1067 section to be considered as part of the planned extension of the NNDR back to the A47 on the west of Norwich which they are already working up.

- This scheme has been unfortunate given that its long development has meant it has been caught by various policy changes over recent years such as the change from the RFA to Development Pool process and changes to the Planning Act system. Norfolk will argue that these policy changes were caused by Government so it should help cover the cost.

I would be happy to discuss further and attend any meeting / telephone call about this scheme.

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From: [dft]
Sent: 17 July 2015 08:42
To: [dft]; [dft]; [dft]; [dft]; [dft]
Cc: [dft]
Subject: FW: NNDR

To see e-mail below from Norfolk on the NNDR. As I feared the cost of the scheme has increased significantly and NCC are seeking an additional £15.8m of DfT funding on top of the already agreed £67.5m (these figures are net of Postwick Junction which is almost complete). They also say that the overall cost of the scheme is now over £100m which means we may need to seek BICC agreement to delegate down to LTIC.

On the DfT funding we have kept to a strong policy of not providing any additional funding to schemes. We have turned down a number of schemes in the past – South Yorkshire BRT, Bexhill-Hastings for example. Leaving aside Mersey Gateway as a differently funded scheme entirely the only scheme where this rule was broken is Croxley which became very political and even then the LEP put in a considerable amount of extra funding by descoping one of their schemes. We should therefore say to NCC that we will not cover any cost increase and they should look to the LEP and also use the funding they are planning to use to pay for the extension of the scheme past the airport (which is not in the scheme we approved). I have already told NCC what our policy is informally but I expect if we say this formally we will be faced with a storing political campaign to Ministers. I would be grateful for your views.

On the total cost issue I will sound out the BICC secretariat and hopefully we can obtain BICC's agreement to delegate this scheme which is a standard road scheme without any difficult issues (except for the cost increase). BICC has agreed to similar delegation (A6MARR, Heysham-M6) before. Hopefully we can do this without having to attend a BICC meeting but that may not be possible.

At the original approval in 2011 the scheme had an adjusted BCR of 5.4 (Very High vfm) so I suspect that, as NCC say, it would still wash its face in vfm terms at the higher cost.

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From: [ncc]
Sent: 17 July 2015 08:18
To: [dft]
Subject: RE: NNDR

Dear xxxx

Further to our recent conversations, I set out that we are in the process of developing the target cost for the NDR project with Balfour Beatty. There were two points in relation to this that I agreed to email you about.

The first is the value of the project costs in relation to your approval processes. This is basically to consider the DfT funded scheme from the A47 at Postwick (but not including the Postwick Hub) to the A140 Cromer Road junction. The original DfT contribution was agreed as £67.5m based on a total construction cost of c. £87m. You queried whether our updated construction cost for this part of the project would exceed £100m. Having reviewed the figures, and subject to finalising some on-going work, I can confirm that the project cost is likely to increase to more than £100m, with potential to be around £106m. I realise you will have to seek guidance on your approval mechanism based on this figure (as set out in your email below). Please do let me know if you need any more detail on this from me ahead of the full approval submission, which, as discussed, I hope to send you by around the end of July, depending on whether we have been able to agree a final target cost with Balfour Beatty.

The second point we discussed was the overall project cost and the increase in budget and whether DfT would consider an increase in its budget contribution/allocation. We still have to resolve the details, and are still working on this with Balfour Beatty, but we are looking at an overall project cost increase that could be as high as £30m. Not including Postwick (as this is already in construction), this equates to an overall NDR budget increase (since 2012/13) of around 23.4%. Applying this increase on a pro-rata basis the additional funding request we would make to you would be approximately £15.8m (23.4% of £67.5m) – resulting in a total DfT contribution of £83.3m. Please note that these numbers are very indicative at this stage and I do intend to send you more specific cost information as soon as possible, but wanted to get the initial summary details to you to consider.

Much of the additional cost is as a consequence of significant construction inflation in the last 2 years, since re-setting our budget price early in 2013. We have sought independent advice on construction inflation, and the increase we are experiencing is in line with that advice. You will be aware that the project was given funding conditional approval in late 2009 ahead of the spending review announced in May 2010. With conditional approval being re-confirmed in late 2011, we have seen a 2 year project delay, which has resulted in more recent and significant inflation increases impacting the project.

As discussed, you will appreciate that this increase is a significant issue for NCC and it jeopardises the delivery of the project, but more importantly the delivery of the growth associated with the project (as set out in the Joint Core Strategy). This could risk the delivery of a significant proportion of the 8,000 homes in the north east growth triangle and numerous jobs associated with employment growth areas, most notably adjacent to Norwich International Airport. We are undertaking significant work with our Finance team and discussing the details with the New Anglia LEP, however I wanted to make you aware of a request that we are likely to make to DfT to ensure we can deliver the NDR project, which is also part of the national infrastructure plan.

We will set out the impact of the cost increase in our full approval submission economic case update, however we remain confident that the project will remain within the ‘very high’ value for money category.

I would appreciate your feedback on the above and what mechanism you consider appropriate to progress the request for additional funding, but importantly that does not delay the full approval process.

XX
XX.

Regards

xxxx

xxxx xxxx

Highway and Major Projects Manager

Highways and Transport Group

Communities and Environmental Services

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From: [dft]

Sent: 09 June 2015 15:40

To: [ncc]

Subject: NNDR

Importance: High

Grateful for some information on the cost of NNDR to enable me to agree what approval process we need to undertake within the Department.

The total cost of the scheme DfT has approved (up to A140) is currently set at £111m of which we are providing £86m. Of this we have or will be providing £19m towards Postwick Hub (which is costing a total of £24m) which has already been approved. That leaves by my reckoning a residual scheme costing £87m of which we are to provide £67m. Are these figures correct?

We are not funding the section beyond the A140 which NCC are providing. What is the total cost of the full NNDR including the west of A140 section?

Depending on the answer we may need to seek approval from the Department's top investment decision board, chaired by the Permanent Secretary, which is sometime more difficult and time consuming.

Happy to discuss.

xxxx xxxx

, Local Transport Funding Growth & Delivery Division

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