

From: [ncc]  
Sent: 30 July 2015 16:02  
To: [dft]  
Subject: RE: NNDR

Importance: High

xxxx

Thanks for the email below and thanks for what was a helpful discussion with Tom on Monday. I have set out below responses that I hope detail with the further points of clarification that you have requested.

Firstly on construction inflation, we have taken details from our already appointed contractor (Balfour Beatty) and reviewed these based on prices they have received from the supply chain compared with outline prices received in 2013. In order to test this we have also requested an independent review of construction inflation. This has considered details from 2010 to 2015 and indicates that road construction tender prices have increased significantly in that period (by up to 36%, with around 20% since early 2013 when we developed our last budget price for the project).

The other cost increases relate to design development and design standards. Some of this is in relation to developing details either ahead of, or as a result of the public examination. This has included offline junction details, archaeological investigation, environmental supervision, additional fencing and access tracks, signing and lighting details. We have been required to look at higher specification bat gantry proposals (although we are hoping to scope these back), increased landscaping provision, additional construction constraints (more night working provision), changes to the bridge structures (eg enhanced parapet details to consider bat foraging) and significant changes to the drainage design in order to satisfy EA requirements.

Some of the cost increases above we had allowed some contingency for, however given the scale of changes and the increased construction costs generally, we have not been able to contain these costs within budget – hence the additional cost that Tom has referred to.

In relation to the budget profiles you have set out below, I have amended these as follows:

2013	2015
67.5 DfT	82.5
40.0 CIL	40.0
17.1 NCC	31.3
124.6	Total 153.8

The overall NDR budget (including Postwick Hub) was £148.6m. This is likely to increase by £30m to £178.6m. The figures in the table above show totals not including Postwick (ie for 2013 £148.6m – £24m = £124.6m).

There is however a further adjustment relating to Postwick Hub for the 2015 figures. We have seen some additional costs in relation to the works (mainly due to additional costs of archaeological investigations and complying with revised EA requirements in relation to groundwater source protection zones – something that has

required a complete redesign of our drainage). We expect the overall project out-turn cost to therefore increase by around £0.8m. This is included in our overall project increase of £30m, but the £0.8m and is taken from the 2015 total in the table above (ie £178.6m - £24.8m = £153.8m).

More details will be provided in the full approval submission and will set out costs more thoroughly, but as per my email of 17 July, I expect the total DfT project (Postwick to A140) approval level to be around £106m, which is an overall increase of £19m compared with the previous £87m. The additional funding request is therefore based on a sharing of the overall project increased cost.

The cost of the A140 to A1067 therefore is around £48m (ie £153.8m - £106m).

I hope the above is what you need, but please do let me know if you need anything further, or if you would like to discuss, please call me on 07734 739325.

Regards  
xxxxd

-----  
From: xxxx xxxx  
Sent: 28 July 2015 08:31  
To: [ncc]  
Subject: NNDR

You may have been told about the telephone call with Tim McCabe yesterday where we said we would consider you request for additional funding further. To help that I would be grateful for some additional information / clarification.

Firstly Tom said the additional costs were largely (£22m) due to construction inflation but also (£8m) due to additional requirements placed on the scheme by Natural England and Env Agency. I would be grateful for more detail on these two points – both as to why construction inflation has made such a difference when many other schemes are not facing this and also details of the env requirements.

Second can I just clarify the various numbers.

As of 2013 it seems the total cost of the three elements of the scheme (Postwick, A47 to A140 and A140 to A1067) was £150m. It is now £180m. Taking the £24m cost of Postwick out of the cost leaves totals of £126m and £156m. If I understood Tom yesterday the cost of the A47 to A1067 section was £127.5m and is now £157.5m. The previous and proposed (if we were to agree to the £15m additional cost) of the scheme separated out by contributor is as follows:

2013	2015
67.5 DfT	82.5
40.0 CIL	40.0
20.0 NCC	35.0
127.5	Total 157.5

We have so far offered £67.5m towards the £87m cost of the A47 to A140 section. I make it now that we would (if we agreed the additional funding) be paying £85.5m of £117m which if so means the A140-A1067 section is costing £39m.

Please let me know whether the above numbers are correct or if not please amend.

xxxx xxxx

, Local Transport Funding Growth & Delivery Division

2/1x GMH, Great Minster House

33 Horseferry Road, London, SW1P 4DR

020 7944 xxxx

Follow us on twitter @transportgovuk