

## Background

The NDR has now completed the statutory processes following an examination in public during 2014 and the subsequent approval of the Development Consent Order (DCO) by the Secretary of State in June 2015.

This paves the way for the NDR to be built and enables the wider 'Transport for Norwich' improvements to be fully realised over the next 10 to 15 years. This will see improved bus, walking, cycling and city centre transport infrastructure in the greater Norwich area.

The provision of this infrastructure is vital in order to support the growth expected within greater Norwich and the City as part of the already adopted Joint Core Strategy (JCS) and City Deal. Significant growth in employment and housing are important to the economy of Norfolk and the NDR is a fundamental transport element within the JCS that will unlock major areas of growth. It is also an essential infrastructure improvement underpinning New Anglia LEP's Strategic Economic Plan.

## Financial Position

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 construction cost of the NDR has been developed with Balfour Beatty Civils Ltd (BB), the main contractor already appointed on a two stage contract. Stage 2 will only be awarded if approval is given to the 'target cost' developed for the works.

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 during in 2014, more detailed work has been undertaken with BB in order to finalise the construction costs for the project.

The construction target cost is now £29.9m more than the 2013 budget price. The main reason for this is construction inflation in the last two years, a direct result of the two-year delay to reconfirm approval of the scheme (in December 2011). 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 scope and cost of the work required.

The financial summary for the project is provided in the following table:

|                          | <b>2013<br/>(£m)</b> | <b>2015<br/>(£m)</b> | <b>Notes</b>  |
|--------------------------|----------------------|----------------------|---|
| <b>Construction Cost</b> | 77.8                 | 104.2                | These figures represent the budget pricing provided by BB, and include significant value engineering. The |

|  |               |               |  |
|--|---------------|---------------|--|
|  |               |               | £104.2m figure is a current estimated final target cost expected from BB.  |
| <b>Statutory Undertakers</b>             | 8.7           | 8.3           | Further work has enabled some confidence in reducing the 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 more activity 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. This is the anticipated out-turn cost at completion.   |
| <b>Total Budget</b>                      | <b>148.55</b> | <b>178.45</b> |  |

The table shows an overall increase in budget of £29.9m. The main reasons for this are provided in the following table:

| <b>Change</b>                                | <b>Comments</b>   |
|--|---|
| Road Construction<br>Inflation<br><br>£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 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<br><br>£5m                | Includes additional items not within the original BB 2013 costs, developed in the period ahead of and during the examination in public. Includes offline junction details, archaeological investigation, environmental works and supervision, additional fencing and access tracks, and signing and lighting details.                       |
| Design Standards<br><br>£5m                  | Includes extensive changes to the drainage design to meet Environment Agency requirements, higher specification bat gantries, additional construction constraints, increased landscaping provision and changes to the bridge structures.  |

## Options

There are 4 options to consider to deal with the funding shortfall. It should be noted that an option to deliver less of the NDR to reduce costs is not possible as this would not comply with the DCO. Also, delaying delivering of sections of the NDR will only increase costs. The options and their implications are provided in the table below:

| Option   | Comments   |
|--|--|
| 1. Stop. Do not deliver the NDR  | This has significant implications. The adopted Joint Core Strategy setting out growth locations and planning guidance will need to be revisited. This impacts on the ability to accommodate around 8000 new homes and about 18,000 jobs. The wider 'Transport for Norwich' delivery plan will need to be completely reconsidered and updated.<br><b>NOT RECOMMENDED</b>  |
| 2. Continue to deliver the NDR, and seek additional funding from DfT                 | This option would provide up to 50% of the funding shortfall (£15m). A request to DfT as part of the full approval process has been made and this is being considered by DfT. It remains however that NCC will need to fund the remaining shortfall of £15m. It is expected that funding can be provided from capital budgets within the Highways and Transport service (CES Department) over a 3 – 5 year period depending on the funding gap.<br><b>RECOMMENDED</b>  |
| 3. Continue to deliver the NDR, with all additional funding from NCC as a worse-case | This option will require all funding to be provided by NCC. It could include the £15m from the Highways and Transport service set out above, but will also require a drawdown of a further £15m funding. Whilst considered feasible, this option will need to be developed with the Executive Director of Finance if Members are prepared to accept this additional cost.<br><b>RECOMMENDED IF OPTION 2 STALLS OR DfT CONTRIBUTION IS LOWER THAN £15m</b>  |
| 4. Continue to deliver the NDR, complete a re-procurement for the works              | This option will generate a delay to the delivery of the project of around 6 months to allow for the re-procurement process. The impact on timescales could be greater as there would be little time after this to complete essential environmental works before key seasonal restrictions. There is a high risk that re-procurement will not realise the required savings and the risk to timescales will potentially outstrip any savings. This option would also delay any drawdown of funding from DfT, which could also put that funding at risk.<br><b>NOT RECOMMENDED</b> |

## Conclusion

The NDR is a 'once in a lifetime' opportunity for NCC to deliver on its expectations of providing good infrastructure that supports growth in housing and jobs that will significantly boost the economy of Norfolk.

The NDR is at a point of being able to be delivered, with all statutory processes completed. Subject to funding provision, this vital infrastructure can be started in October 2015 and completed by December 2017. This will help deliver the Transport for Norwich infrastructure plans and enable the growth aspirations in housing and employment to be achieved in line with the adopted Joint Core Strategy and the City Deal and support the council's priority of delivering high value jobs to the region.

Achieving these aspirations will have to be completely refreshed if the NDR is stopped.

A more detailed report will be provided to Members for a discussion about the finance required at Full Council (provisional extra council 2 Sept). Subject to Full Council's support to continue with the NDR project and assurance that finance is in place, the EDT Committee will then be asked to confirm the Stage 2 contract award to BB at the next meeting on 18 September, to set the project in motion for an October 2015 start.

For any queries in relation to the above details, please contact xxxx, xxxx (xxxx Tel xxxx).