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		Date:	14 September 2015
		Copies:	All Ministers Permanent Secretary Special Advisers see list at end

Norwich Northern Distributor Road – Full Approval

Issue

1. Whether to grant Full (final) Approval to Norwich Northern Distributor Road (NNDR) scheme, promoted by Norfolk County Council, one of the schemes in the programme of Local Authority major schemes.

Recommendation

2. We recommend that you:
 - grant Full Approval with a DfT capital contribution of £77.49m to be provided in the years 2015/16 to 2017/18;
 - write to the Chief Secretary to formally seek HM Treasury approval to the scheme (a draft letter is attached at Annex B); and
 - note the media handling advice at paragraph 11.

Timing

3. Routine – but as HM Treasury approval is now required given the total cost has risen above the Department's delegation limit, an early approval will allow momentum on the scheme to be maintained.

Clearance

4. This submission and attachments have been cleared by relevant Centres of Excellence and the Local Transport Investment Committee.

Background

5. The full NNDR scheme consists of a 20km dual carriageway road planned to run from the A47 at Postwick, round Norwich, to the A1067. Previously the Government gave initial approval, on cost grounds, for a shorter 14km section of the full route - from Postwick to A140 - which is what you are being asked to approve. Norfolk plan to pay for the scheme to be extended to the A1067. The Department is already funding the Postwick Junction which will be the link between the A47 trunk road and the NNDR, given it will provide growth benefits as a stand alone scheme even if NNDR was not built. A map is attached.

6. The objectives of the full scheme are to improve the existing transport network so that the significant amount of planned housing and employment growth in the Norwich area can be achieved as well as provide a solution to the current peak hour congestion on radial routes and the Norwich Outer Ring Road. It will also allow further sustainable transport measures to be put in place in the City, as set out in the wider Norwich Area Transportation Strategy (NATS). As part of the previous approval, Norfolk was required to commit to a funded and timetabled package of sustainable transport in the city centre on the basis of NATS and to provide details of the package to the Department which they have done. It will also improve surface access to Norwich International Airport and between it and the Great Yarmouth Enterprise Zone, both of which play a nationally significant role in the offshore oil and gas industry (see Annex A for further background).
7. The total cost of the scheme DfT is part funding is £105.89m and the Department's capital contribution is £77.49m. This includes the additional £10m to help cover a cost increase on the scheme which you approved recently on an exceptional basis. You will wish to be aware that the cost increase has caused Councillors who are opposed to the scheme to call for the contract to be retendered. They have sought to involve us in this dispute by saying we should undertake a detailed analysis of the increase. We are clear that this is an internal issue for the Council and does not stop you from taking a decision on the scheme. DfT Legal have said that the risk to DfT of a judicial review is low provided that the decision to approve the scheme is based on all relevant and up-to-date information. If the scheme is ultimately approved we will confirm in the final approval letter that any further cost overruns are for the Council to deal with. The spend profile set out in the summary tables is included in the Department's spending plan for the relevant financial years. Further information is provided in the Summary Templates at Annex C with reviewers comments at Annex D.
8. Should you and HM Treasury agree the recommendation and Norfolk is able to sign the contracts as scheduled, work could start in October 2015 with completion scheduled for December 2017.

Scheme appraisal & value for money

9. The analysis presented to support the full scheme shows it will be **very high** value for money with an adjusted BCR of 6.07. The benefits are largely made up of significant time savings, operating cost and reliability benefits to road users as well wider impacts (such as agglomeration). There are disbenefits related to adverse effects on landscape which have been monetised and included in the adjusted BCR. There is a large adverse impact on specific historic sites (see Annex C and Annex E for details) but in our view this does not materially alter the value of money category. More detail is provided in the economic case template in Annex C and the Appraisal Summary Table at Annex E.

Analytical Assurance Statement

10. The assurance of the analysis is considered high - see Annex C for the full statement.

Presentational Considerations

11. Announcing the scheme will be good news locally. There is also however considerable local opposition to the scheme including from a minority of Councillors. Assuming you and the Chief Secretary approve this submission, we will provide further advice on the announcement including a draft letter to send to the local MPs - Chloe Smith (Norwich North), Keith Simpson (Broadland, Clive Lewis (Norwich South) and Norman Lamb (North Norfolk).

Xxxx xxxx

CC:

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Background Information

1. Norwich Northern Distributor Route (NNDR) is a 20km dual carriageway road planned to run from the A47 at Postwick, round Norwich, to the A1067. Previously the Government gave initial approval, on cost grounds, for a shorter 14km section of the full route - from Postwick to A140. Norfolk plan to pay for the scheme to be extended to the A1067. Full Approval has already been given to the Postwick Junction element as a stand-alone scheme given the wider employment benefits it will bring even if the NNDR is not built. It is currently under construction at a total cost of £24m with a DfT contribution of £19m and is expected to open in November. The revised cost of the full NNDR scheme (A47 to A1067 plus Postwick Junction) is now £178.55m.
2. The current transport network is claimed to inhibit current and future housing and employment growth in Norwich. Norfolk say the proposed scheme is a key piece of infrastructure necessary to facilitate delivery of 10,000 of the houses and 12,000 of the jobs identified in the Joint Core Strategy. In addition current peak hour congestion on radial routes and the Norwich Outer Ring Road leads to congestion and rat-running on inappropriate routes to the north of Norwich causing environmental problems. Norfolk state that its ability to provide further sustainable transport measures in the City, as set out in the wider Norwich Area Transportation Strategy (NATS), is inhibited without the reduction in traffic the road would bring about.
3. Programme Entry was re-confirmed in November 2011 at total cost of £111m of which DfT would provide £86m (inclusive of Postwick Junction) subject to satisfactory completion of the remaining statutory procedures and procurement.
4. The Secretary of State approved the legal orders for the NNDR on 2 June and they are now free of any objection period.
5. This scheme has been unfortunate given that its long development has meant it has been caught by delays caused by reviews of policy on major schemes following elections as well as changes to the planning system. The project was originally given initial funding approval in 2009 but progress was delayed by the spending review announced in May 2010. With conditional approval being re-confirmed in late 2011, this has added a 2 year project delay. Norfolk say that much of the additional cost is as a consequence of significant construction inflation in the last 2 years, since they re-set the scheme budget in 2013. They have sought independent advice on construction inflation, and the increase is in line with that advice.

Draft Letter to Chief Secretary, HM Treasury

I am writing to seek your agreement to grant Full Approval for the Norwich Northern Distributor Road scheme.

The scheme, to be part funded by the Government, consists of 14kms of new 2-lane dual carriageway running from the currently under construction A47 Postwick Junction round Norwich to the A140. Norfolk County Council, the scheme's promoter is funding a further extension of the scheme from the A140 to the A1067. The scheme is designed to improve the existing transport network so that the significant amount of planned housing and employment growth in the Norwich area can be achieved. Norfolk say the proposed scheme is a key piece of infrastructure necessary to facilitate delivery of 10,000 of the houses and 12,000 of the jobs identified in the local Joint Core Strategy. In addition current peak hour congestion on radial routes and the Norwich Outer Ring Road leads to congestion and rat-running on inappropriate routes to the north of Norwich causing environmental problems. Norfolk state that its ability to provide further sustainable transport measures in the City, as set out in the wider Norwich Area Transportation Strategy, is inhibited without the reduction in traffic the road would bring about.

It will also improve surface access to Norwich International Airport and between it and the Great Yarmouth Enterprise Zone, both of which play a nationally significant role in the offshore oil and gas industry.

Our assessment has concluded the scheme offers very high value for money, with an adjusted BCR of 6.07.

The full cost of the section of the scheme for which Government funding has been sought is £105.89m of which the Department has been asked to provide £77.49m. As total project spend is now greater than £100m it is outside this Department's delegation and your consent to that expenditure is requested. The scheme has full budget cover. My Department has already provided £19m to help fund the Postwick Junction element of the wider scheme which is currently under construction and scheduled to open in November.

Subject to your approval and Norfolk being able to sign the contracts as scheduled, work could start in October 2015 with completion scheduled for December 2017.

Given the many benefits of the scheme I would be grateful for your agreement to proceed to grant the scheme Full Approval.