

Department for
Transport

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Dear Mike,

NORWICH NORTHERN DISTRIBUTOR ROUTE: PROGRAMME ENTRY

This letter is:

- to inform you that on 16th December 2009 Ministers approved the Programme Entry of the Norwich Northern Distributor Route (NNDR) into the Department's Local Authority Major Schemes Programme; and
- to set out the conditions which must be satisfied following Programme Entry.

As you know Ministers have agreed to grant Programme Entry for a shorter route alignment for the NNDR than the one that Norfolk County Council ("the Council") has been promoting (and which formed the basis of the Major Scheme Business Case that was submitted to the Department in July 2008 requesting initial Government funding). This shorter route would run from the A47 Postwick Junction (the improvement of which is being funded separately through the Community Infrastructure Fund) to the A140 Junction at Norwich International Airport.

Norfolk County Council should be clear that Programme Entry is not a commitment that funding will be provided, nor to the timing of any agreed contribution, either of which may be subject to further consideration of affordability or value for money within Regional Funding Allocations and within Departmental budgets. Any expenditure incurred on preparatory costs before funding levels are clarified following any further reviews of spending and confirmed by letter is, therefore at the risk of your Authority, should the scheme fail, for any reason, to progress to Conditional or Full Approval.

In addition, this decision is given solely in respect of the appraisal case for this scheme and is entirely without prejudice to any view that the Secretary of State, or other Ministers, may take on any future application for statutory powers or in accordance with any other functions.

Funding Level

The **Quantified Cost Estimate** (QCE) which is the current estimate of scheme costs including inflation based on 2.7% and risk - is a maximum of £90.700 million, of which the **Department's Intended Contribution** will be up to a maximum of £67.490 million. As set out in the Department's published '*Guidance for Local Authorities seeking Government funding for major transport schemes*' the Department's policy is now to approve an additional sum for each project - the **Additional Risk Layer** (ARL) - to reflect the recognised tendency of scheme promoters to be overly optimistic when planning major infrastructure projects. The ARL is set at a level that relates to half of the optimism bias for a scheme.

At the request of the Council, we have assumed 25% Optimism Bias for the scheme as you suggested within the July 2008 Major Scheme Business Case. Therefore, for this scheme the ARL is a maximum of £11.338 million and this has been added to the QCE to make an **Approved Scheme Cost** (ASC) of up to £102.038 million. The Department will fund no more than 50% of any additional costs between the QCE and the ASC and will not fund any additional costs above the ASC.

Therefore, the **Maximum Departmental Contribution** will be £73.159 million.

These funding limits will need to be reconsidered following the value engineering exercise on the A140 Junction as highlighted later in the letter, if, as we expect, the scheme costs are reduced further.

Programme Entry - Conditions

The following are a list of conditions which we expect the Council to adhere to as part of the Programme Entry award. I will arrange a meeting shortly to discuss these in detail and also to discuss the next steps within your programme.

The conditions are as follows:

Value Engineering & A140 Junction Design

As made clear during discussions with the Council, we require a further value engineering exercise to be undertaken for the scheme, in order to see whether the scheme costs could be reduced. In particular, we believe the current A140 Junction proposal is over-engineered in light of the Ministerial decision to only fund a scheme to this junction. On this basis, we require a report to be provided within three months of the date of this letter with revised costings for the whole of the approved scheme, including a revised at-grade design for the A140 junction.

Traffic Modelling

As agreed previously and as was made clear in our letter to you dated 15th September 2009, we expect the Council to develop a new and updated traffic model on a Productions and Attraction basis, prior to any Public Inquiry into the scheme and before the Council can proceed to submit a Business Case for Conditional or Full Approval to the Department. I am aware that this work is currently underway. This new traffic model should be fully compliant with the Department's modelling requirements at the time of submission.

Gateway Reviews

I am aware that a Gateway Review for the proposed scheme was undertaken in 2008 and since then the Council has taken a number of steps to deal with the recommendations from that Review. I understand from discussions that you anticipate a further Gateway Review to be undertaken later in 2010. We are pleased that you recognise the importance of this process and we recommend that the relevant Gateway Reviews are undertaken at the appropriate stages throughout the scheme's development.

Implementation of Other Elements of the Norwich Area Transport Strategy

As both your July 2008 Major Scheme Business Case and your consultation document titled "*Transport for Norwich – A summary of our plans for the future*" dated October 2009, a major part of the justification for the Norwich Northern Distributor Road is to provide an alternative route for traffic to and from the north of Norwich, enabling the Council to promote more sustainable modes of transport in and around the City. It is essential that your Authority continues to progress the NNDR as part of a multi modal solution that enables development, locks in traffic relief for residential and rural roads, and releases much of the additional network capacity for public transport, cycling and pedestrian movement thereby supporting lower carbon emissions. It would be helpful if you could provide Norfolk's implementation plans for these elements to both the Department and Government Office for the East of England including a timetable for when you anticipate delivery. These should also be embedded in the formal development of your Local Transport Plan. In addition, we will also wish to see at the next approval stage evidence that progress has been made on delivering these proposals.

We also expect you to consider traffic management measures at Drayton and Costessey and timescales for action in these areas. Funding for these measures should be funded through Norfolk County Council's capital programme or through third party funding.

Statutory Environmental Bodies & Wider Information

We expect the Council to continue to work closely with the Statutory Environmental Bodies to ensure that appropriate environmental mitigation measures are incorporated as the scheme is taken forward. We would also recommend that you continue to publish information related to the scheme on the Council's website for wider public information, including any updated traffic modelling reports.

Other Programme Entry Conditions

Programme Entry has been granted subject to the following conditions being fully met:-

- The Council must notify the Department immediately in the event that the cost of the scheme rises above the QCE (£90.700 million) or any subsequent agreed lower QCE *as stated above*, and in the event of any subsequent increases, with details in all cases of the revised cost total, and confirm within one month of this whether or not the Council have the intention and the means to meet the increase and, if so, provide details of how the additional costs are to be funded.
- The Council must submit reports to the Department every quarter in the format prescribed by the Department, highlighting progress towards the milestones identified in the scheme's project plan and providing up to date financial information.
- Following completion of the new traffic model, as highlighted above, the Department reserves the right to require a re-appraisal to establish that the scheme still offers value for money for public funds.

- the Council must notify the Department immediately in the event of any material changes to the scope, design or expected benefits of the scheme. Any such changes may also trigger the requirement to re-appraise the scheme.

In addition, the Secretary of State for Transport may withdraw Programme Entry status in appropriate circumstances. These may include, but not be limited to, the following:

- the Council's failure to meet any of the above conditions;
- the Council's refusal or lack of resources to meet your share of an increase in the QCE as described above (50% up to the ASC and 100% beyond it);
- affordability and value for money grounds;
- changes to the scope, design or expected benefits of the scheme described above which the Secretary of State considers to be material, particularly where such changes would alter the value for money of the scheme.
- the Council's failure to submit a bid for Conditional or Full Approval compliant with the requirements of DfT Guidance by a date to be agreed between DfT and the Council (see 'General' below) or the scheme's development is delayed to such an extent that it becomes impossible to meet that date.

Should this scheme progress to Conditional/Full Approval, further detailed conditions would apply to any grant payable.

Applying for Conditional and Full Approval

The customary approach is for the Council to make a further application for Conditional Approval when you have satisfied the Department's requirements on governance, powers and delivery; and a further application for Full Approval when you have completed procurement to a stage where you have a preferred bidder and a firm and final offer. However, we recognise that following a tender exercise last year, you have appointed a contractor under an Early Contractor Involvement contract. On this basis, we would be content, subject to confirmation of the necessary Statutory Orders, for the Council to submit a joint Conditional/Full Approval Major Scheme Business Case to the Department.

Any application must be in accordance with the requirements of the DfT Major Schemes Guidance or any subsequent revisions to that Guidance in operation at the time of the application.

General

Please confirm in writing that the Council is content to accept Programme Entry status for the NNDR scheme according to the terms of this letter, and that you are duly authorised to provide such confirmation on the Council's behalf.

Yours sincerely,



Steve Berry
Department for Transport