

**THE HIGHWAYS ACT 1980
AND
THE ACQUISITION OF LAND ACT 1981**

**THE CORNWALL COUNCIL (ST AUSTELL TO A30 LINK ROAD) (CLASSIFIED ROAD) (SIDE
ROADS) ORDER 2020
and**

**THE CORNWALL COUNCIL (ST AUSTELL TO A30 LINK ROAD) COMPULSORY PURCHASE
ORDER 2020**

PROOF OF EVIDENCE OF STEVE GUDGE

CORNWALL COUNCIL

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PLANNING INSPECTORATE AND PLANNING CASEWORK UNIT REFERENCE:

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1 INTRODUCTION

Experience

- 1.1 I am Steven Roy Gudge, Senior Project Manager within the Capital Projects Team in Cornwall Council (the "**Council**"). I have worked in various Local Authorities for over 40 years, managing various engineering projects and teams across a wide range of Council Services. I am a qualified NEC3 Project Manager.
- 1.2 I joined the Council in 2009 (when it became the Continuing Unitary Authority for Cornwall), joining from Kerrier District Council in Cornwall where I headed up the Policy, Performance and Member Support Service.
- 1.3 Prior to this, I worked for Basingstoke & Deane Borough Council and Hampshire County Council in a number of engineering-based roles from 1978 to 2000, before joining Kerrier District Council in 2000 to head up the Best Value team.
- 1.4 My initial role at the Council in 2009 was in supporting the Members on the Executive. In 2010, I moved across to the Communities Directorate to take on more of the Council's Performance & Monitoring function.
- 1.5 In 2012 I moved to the Capital Projects Team, initially as Project Manager until my promotion to Senior Project Manager in 2017.
- 1.6 Between 2012 and 2017, in addition to a secondment to the Cornwall Development Company advising private sector ERDF bidders on highway matters, I led a wide range of highway improvements from smaller highway improvements schemes (typically £1 million to £12 million) up to the £60 million Growth Deal Programme.

1.7 Following the departure of the externally appointed Project Director in May 2019, I have taken over this role and now manage a portfolio of projects in excess of £150 million.

My Involvement in the Scheme

1.8 I have been involved in the St Austell to A30 Link Road (which involves the construction of a highway between the Singlerose Roundabout at the junction between the A391 and B3274 at Stenalees, generally northwards for a distance of circa 6.74km, to tie in with the old A30 (CO120) north of Roche at Victoria junction) (the "**Scheme**") since late 2017 following the successful announcement of Programme Entry from the Department for Transport (the "**DfT**") at the end of their assessment of the Council's Outline Business Case ("**OBC**").

1.9 I have led on the award of internal and external contracts, submission of the planning application, agreements with landowners, and the development and submission of the Full Business Case ("**FBC**").

1.10 As a Local Authority we have a duty under Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government and Public Involvement in Health Act 2007) to secure "*Best Value*" in our contracts and financial dealings, and to ensure compliance with EU Procurement Directives (and now UK Procurement Law).

1.11 As Project Director I have a particular responsibility to ensure that the project is delivered in accordance with the Council's Contract Procedure Rules, its corporate project management standards, as well as ensuring that projects remain (and are delivered) to programme and cost. My role has been central to developing and translating the cost plan within the OBC through the various changes and contract awards to ensure that the Scheme remains deliverable within the budgets available.

2 SCOPE OF EVIDENCE

- 2.1 I have prepared this proof of evidence in support of The Cornwall Council (St Austell to A30 Link Road) (Classified Road) (Side Roads) Order 2020 (the "**SRO**") and The Cornwall Council (St Austell to A30 Link Road) Compulsory Purchase Order 2020 (the "**CPO**") (together the "**Orders**"), which were made on 24 September 2020.
- 2.2 The Council's purpose in making the Orders, and seeking their confirmation, is to enable the compulsory acquisition of land that is the subject of the Orders (the "**Order Land**"). The purpose of the Orders is to facilitate the delivery, construction and improvement of the Scheme.
- 2.3 My evidence addresses the following issues:
- 2.3.1 In Section 3, I will summarise Government Guidance on the compulsory purchase process and when compulsory purchase powers should be used.
- 2.3.2 In Section 4, I will provide a summary of:
- 2.3.2.1 how the cost plan for the Scheme has been initiated, developed and maintained;
- 2.3.2.2 how risks within the project have been identified, mitigated, managed and accounted for; and
- 2.3.2.3 how these risks have been managed, adapted and improved over time to keep them relevant and up to date, including allowing for unexpected issues such as emerging new issues and delays.

3 GOVERNMENT GUIDANCE

- 3.1 Having regard to the possible need to use compulsory purchase powers in the event that not all of the property interests required to bring forward the construction of the Scheme could be secured by agreement, the Council's acquisition strategy for the Order Land has been informed by Guidance on Compulsory Purchase Process and the Crichel Down Rules (Originally published by the Ministry of Housing, Communities and Local Government in October 2015 and last updated in July 2019) (the "**CPO Guidance**").¹
- 3.2 In particular, the following provisions of the CPO Guidance have directed the approach taken to ensure that the Scheme for which compulsory purchase powers are being sought is affordable within the context of the funding being provided by the Council plus the funding being provided by DfT.
- 3.3 Paragraph 14 of the CPO Guidance is the key passage of guidance for the purposes of my evidence. It states:

"In preparing its justification, the acquiring authority should address:

a) sources of funding - the acquiring authority should provide substantive information as to the sources of funding available for both acquiring the land and implementing the scheme for which the land is required. If the scheme is not intended to be independently financially viable, or that the details cannot be finalised until there is certainty that the necessary land will be required, the

¹ Prior to July 2019 the CPO Guidance had previously been updated in September 2017 and February 2018.

acquiring authority should provide an indication of how any potential shortfalls are intended to be met. This should include:

- the degree to which other bodies (including the private sector) have agreed to make financial contributions or underwrite the scheme; and*
- the basis on which the contributions or underwriting is to be made*

b) timing of that funding - funding should generally be available now or early in the process. Failing that, the confirming minister would expect funding to be available to complete the compulsory acquisition within the statutory period (see section 4 of the Compulsory Purchase Act 1965) following the operative date, and only in exceptional circumstances would it be reasonable to acquire land with little prospect of the scheme being implemented for a number of years.”

Sources of Funding

3.4 The funding for the Scheme has been sought from two sources:

3.4.1 the Department of Transport who have included the Scheme in the Large Local Majors programme with £78.4 million identified, following the confirmation of programme entry after the Council submitted a compliant OBC; and

3.4.2 the Council agreed a local contribution of £6 million as part of its Capital Programme through approval at Full Council.

- 3.5 The submission of the OBC by the Council to DfT for inclusion in the Large Local Majors ("LLM") programme is discussed at Section 4 of my evidence below, setting out the background to the submission of the OBC and the subsequent offer from DfT confirming Programme Entry.
- 3.6 The submission of the FBC required to release the funding from the programme is also set out in Section 4 of my evidence below.
- 3.7 The cost plan, which forms part of the OBC and the FBC, and as set out in Section 4 of my evidence below shows the portion of the overall scheme budget that has been identified for the acquisition of land required for the implementation of the Scheme. As each stage of the negotiation has been concluded on land acquisition this has been accounted for in the allocation for that cost within the cost plan.

Timing of Funding

- 3.8 To achieve release of the funding from the programme, the DfT requires that any impediments to the delivery of the Scheme are removed. This includes any process of the Orders to be completed, any pre-commencement planning conditions to be discharged, and that a principal contractor be appointed.
- 3.9 In respect of the principal contractor, Alun Griffiths (Contractors Limited) ("**Griffiths**") was appointed in October 2019 as the principal contractor in a Design & Build capacity for the Scheme and has since that date been undertaking design activity, site planning, and supporting the process of land acquisition.

3.10 In respect of the pre-commencement planning conditions, the design activity that has been completed by Griffiths and the applications submitted to the Local Planning Authority, have secured the discharge of all pre-commencement planning conditions that would have prevented a physical start on the Order Land.

3.11 All that remains for the funding to be released by the DfT for the Scheme is for the confirmation of the Orders by the Secretary of State.

Nature of the objections received

3.12 None of the objections received following the advertising of the Orders raised issues relating to the funding of the Scheme with the exception of a minor matter relating to inflation.

3.13 As set out in Section 4 of my evidence below, particularly in the table at paragraph 4.27, although inflation was included in the original estimates set out in the OBC it has been further increased from those values to cover potential for delays to the commencement date, including a reasonable allowance for inflationary pressures on prices.

4 SCHEME APPROVAL, FINANCIAL PROVISIONS AND PROGRAMME

Objections received in relation to the Scheme

- 4.1 None of the objections received following the advertising of the Orders raised issues relating to the preferred route, how that was selected through route selection, how its final layout was derived from detailed junction optioneering, or any aspect of its costing and funding.
- 4.2 However, I will set out some brief background to the Scheme before I give evidence regarding the financial provisions and the programme.

Background and route selection for the Scheme

- 4.3 Proposals for an improved transport link between St Austell and the A30 have a long history. They have always been well supported by the business community, as well as by the wider public. The provision of such a link is considered essential in order to facilitate economic growth in the local area, as well as across the region as a whole.
- 4.4 As set out in the OBC, a Preferred Options Assessment Report took the Scheme (referred to as "**Option 2 Roche**") and two Bugle/Goonbarrow alternative options (referred to as "**Option 1**" and "**Option 1A**") for further assessment. The table below shows how these three options compare when assessed against the objectives.

	OPTION 1 - BUGLE - GOONBARROW	OPTION 1A BUGLE - GOONBARROW	OPTION 2 ROCHE	DO NOTHING
Reduce journey times between the A30 and St Austell	Journey times remain as they are	Journey times remain as they are	Journey times remain as they are	Journey times increase due to congestion
Improve journey reliability between the A30 and St Austell	Provides improvements to reliability	More junctions therefore only slight improvement to reliability	Improves journey reliability between St Austell and the A30 as well as to the wider Mid Cornwall Corridor	Vehicles continue to encounter issues affecting reliability, such as broken down vehicles obstructing the routes
Reduce the impact of traffic congestion on local communities and businesses	Removes traffic away from the villages of Roche, Bugle and Stenalees	Removes traffic away from the villages of Roche, Bugle and Stenalees	Removes traffic away from the villages of Roche, Bugle and Stenalees	The villages continue to experience high numbers of vehicles having a negative impact on them
Improve the safety of road users, pedestrians and cyclists	Removal of traffic from old routes improves safety in the villages	Safety benefits are slightly reduced due to more junctions and potential risks here	Provides safety improvements in the villages and old routes	No improvements to road safety are made between the A30 and St Austell
To support wider economic impacts and make St Austell a more attractive place for businesses to invest in while enabling the delivery of development sites.	Provides more direct, quicker link between the A30 and St Austell but	Provides more direct, quicker link between the A30 and St Austell but	Provides more direct, quicker link between the A30 and St Austell but also improves the link to St Austell and the Aerohub and the Mid Cornwall Corridor	Businesses continue to be put off by the current perceived barriers to setting up business in St Austell

4.5 The Scheme was assessed as being able to bring significant benefits to the residents of Roche, Bugle and Stenalees, leading to overall traffic benefits to St Austell, providing a catalyst to economic regeneration in the St Austell and China clay area region, and improving links with the Mid Cornwall corridor and Newquay.

4.6 Although Option 1 and Option 1A were assessed as being able to deliver similar benefits to Option 2 Roche, they do not provide some of the wider benefits towards Newquay. They also presented more issues regarding delivery in relation to land acquisition, rail bridge requirements and costs. In 2016 Natural England notified that they were considering designating a further six areas as Sites of Special Scientific Interest in the Bugle area which would significantly impact the viability of both Bugle/Goonbarrow options plus Option 1 also required a 45m bridge crossing of the Par-Newquay branch line, requiring the consent of Network Rail.

4.7 The costing of the preferred option was based upon a review of the feasibility study carried out as part of the Options Appraisal Report ("**OAR**"). The costings in the OAR were used as part of the comparison process between the three options considered.

4.8 A comparative cost estimate for each option was undertaken, which was current at the date of the OAR and is summarised in the table below.

	Bugle Goonbarrow Option 1	Bugle Goonbarrow Option 1A	Roche Option 2
Capital and Revenue Costs			
ESTIMATED TOTAL COMPARATIVE COSTS*	£163.8M	£145.4M	£84.8M

4.9 Since the three options in the table above were assessed, nothing has changed in the local area that would indicate that if the options were to be reassessed there would be a material effect on the outcome of that assessment, either in the suitability of the route or their ease of construction (thus affecting their construction cost).

4.10 On the basis of applying a simple application of construction prices indexes (as set out below), while the prices of all three options may increase as a result, their price order would not change and Option 2 Roche would still emerge as the most cost effective scheme for the benefits being obtained.

Scheme Approval and Financial Provision

4.11 Building on the work of the Rees Jeffreys Road Fund Report, 'A Major Road Network for England', and following extensive consultation, the Government published 'Creation of the Major Road Network ("**MRN**")' in 2018. This created a specific new funding stream to *"raise the standards of economically and regionally important roads in England that will join seamlessly with and complement the existing Strategic Road Network (SRN) which is made up of the nation's motorways and major A roads."*

4.12 In the 2018 Budget, the Government announced the National Roads Fund would be £28.8 billion between 2020 and 2025. £3.5 billion of that fund was expected to be spent on local roads. This funding is split between MRN funding for schemes up to £50 million and LLM for schemes up to £100 million. The fund for LLM, which had been established previously in the 2016 Budget, is administered by the DfT through the submission of:

- An OBC. If this meets the eligibility criteria the scheme then becomes part of the LLM programme; and
- A FBC. If this meets the eligibility criteria then the scheme is awarded the agreed funding set out in the OBC.

- 4.13 Following approval from the Council's Cabinet on 16 March 2017 that delegated authority be granted to submit the OBC to the DfT for the St Austell to A30 Link Road on the basis of the preferred route recommendation, the OBC was submitted to the DfT following the end of the call-in period. This established the base budget for the Scheme of £84.861 million.
- 4.14 The original cost plan is set out in the Financial Case in section 8 page 107 of the OBC as well as in greater detail within Appendix F-3 of the FBC. These cost estimates were drawn together from a 'first principles' build-up of a Bill of Quantities ("**BoQ**") using the Civil Engineering Standard Method of Measurement ("**CESMM**") developed by The Institution of Civil Engineers ("**ICE**") to which are applied rates taken from a published source.
- 4.15 A BoQ is a document prepared in accordance with the CESMM detailed rules of measurement. It comprises a list of items that provide descriptions and quantities of the proposed construction works, and it is used both for the purpose of establishing estimates and obtaining tenders for a construction project. A BoQ is essentially a "model" in words (item descriptions) and numbers (quantities) of the work required to construct the proposed scheme.
- 4.16 Preparing a BoQ has major benefits in that the process and discipline involved in preparing it in accordance with the detailed rules of CESMM requires an extremely thorough interrogation of the drawings and specifications prepared by the designer. It is considered to be the next best thing to actually constructing the works in determining the "completeness" of the design and also aspects of its "adequacy".

4.17 The first edition of the CESMM was published in 1976 to create a standardised method for drafting BoQs for civil engineering works. This is now in its Fourth edition. Prior to this, the order and nature of bill items, the units of measurement, and even the method of tabulating this information into columns, varied considerably. The BoQ on this scheme was compiled using the Third Edition (CESSM3) that was relevant at the time. The current edition (CESSM4) was published in June 2019.

4.18 To obtain the cost for the quantities set out in the BoQ, reference is made to one of the published set of rates. These are available from Spon's and from the ICE. In this case, the Spon's Civil Engineering and Highway Works Price Book 2016 was used to obtain the rates. Spon's gives costs for both general and civil engineering works and highway works. It provides a full breakdown of labour, plant and material elements, with labour rates updated at each publication. Cost guidance is given at a number of levels, varying from the more general functional costs to detailed resource costing, and conforms with the structure of CESMM.

4.19 After applying the rates in Spon's to the BoQ the construction cost elements are identified. Other costs, such as professional fees, land acquisitions, risk allowance, and inflation are assessed and then added to the cost plan. Whilst the BoQ is normally provided from the design, the costing exercise is carried out by RICS-qualified or experienced Quantity Surveyors and compared to out-turn costs of similar schemes. In this regard, in 2015, the Council constructed a different section of the A391 at Carluddon that passed through similar terrain and environment to that through which the Scheme's link road was to pass. This was used as a key reference project from which actual cost data could be reviewed to ensure that allowances for earthworks, drainage and pavement construction in the Scheme were sufficiently robust.

4.20 After submission of the OBC in March 2017, the DfT undertook a technical review of each of the five cases set out in the document. This resulted in various queries for the Council to respond to and to which assurances and additional information was provided. These mostly related to the technical assessments underpinning the benefit cost ratio, the proposed Monitoring and Evaluation Plan, and clarification on the Council's internal governance arrangements.

4.21 In November 2017, following satisfactory resolution of all of its queries, the DfT made the Council an offer of Programme Entry into the LLM fund offering £78.461 million towards the cost of the Scheme.

- 4.22 Also in November 2017, as part of the Council's budget setting process, the Cabinet confirmed that the Council's Local Contribution to the scheme of £6 million, providing an overall budget to the Scheme of £84.461 million. Whilst this is less than the cost estimate set out in the OBC, the small difference represents a 0.5% change that has always been considered to be non-material and readily capable of being recovered through efficiencies.
- 4.23 In January 2018, the DfT offer was reported to the Cabinet as part of the Quarterly Capital Monitoring Report where the matter was further recommended to the Council that this be included in the Council's Capital Programme. At its meeting on 20 February 2018, the Full Council approved the recommendation from Cabinet and the Scheme was included in the Council's Capital Programme at £84.461 million.
- 4.24 Within the Council's Constitution, the Chief Operating Officer ("**COO**") has overall responsibilities within the Council for corporate functions. The COO is also the officer appointed under Section 151 of the Local Government Act 1972 (s151 Officer) and as such is responsible for specific budget and finance functions within the Council.
- 4.25 Within the Scheme of Delegations set out in the Council's Constitution, the COO has delegated authority to accept and receive funding from a third party. In February 2018, following the Council's decision, the COO wrote to the DfT to formally accept their offer of funding. At this point, responsibility for the development, management, and reporting of the Scheme was transferred to the Service Director (Infrastructure) as Senior Responsible Officer and the Project Director with responsibility for its delivery.

Cost Variations

4.26 Since the Scheme achieved Programme Entry, and in accordance with the Council's Contract Procedure Rules, various contracts have been developed, advertised, assessed, and awarded and which have provide greater cost certainty for a significant portion of overall cost. This includes:

4.26.1 Project Controls (Mace) for the Professional Services relating to project management, site supervision, quantity surveying, and cost management;

4.26.2 Cormac Solutions Ltd for the Professional Services relating to design, surveys and investigations, submission of planning, support of the Orders, and contractor handover;

4.26.3 Griffiths for the completion of design and the construction of the Scheme.

4.27 The table below sets out the changes in the Financial Case between the OBC and the FBC:

OBC		£	FBC		£
Direct Costs:			Direct Costs		
Works		41,193,730	Works		50,239,490
Complementary Measures		1,699,147	Complementary Measures		5,150,000
Indirect Costs, comprising			Indirect Costs, comprising		
Preliminaries		8,578,575	Incl in Direct Costs		0
Overhead & Profit		514,145	Incl in Direct Costs		0
Project/Design fees & other costs			Project/Design fees & other costs		
Design Team Fees		5,361,610	Design Team Fees		2,933,000
Project Team Fees		4,825,449	Project Team Fees		1,301,150
Other Project Costs		3,768,065	Project Control Fees		2,794,744
			Additional Surveys		989,000
			Land Costs		11,952,622
Risk		4,770,494	Risk		9,100,994
Inflation		9,517,014	Inflation incl		0
		84,861,230			84,461,000

4.28 There are some key changes in the period between the OBC and FBC, which are as follows:

4.28.1 The planning permission granted in April 2019 resulted in additional conditions in relation to adjacent communities that may have been affected by the Scheme. Although the predicted traffic modelling does not indicate such effects, the Council's Planning Committee's decision nevertheless expanded the complementary measures work that will be required and, therefore, also the costs associated with the same.

4.28.2 Allied to that, one of the fundamental elements of the design guidance (Design Manual for Roads and Bridges), the core principles of the OBC, and the feedback as part of pre-planning consultation and the planning process itself, was the impact of current traffic on existing settlements and the importance of the complementary measures work in Roche and Bugle. A larger sum has therefore been allocated to this work to recognise the importance of returning a sense of place to these surrounding villages once the traffic has been removed.

4.28.3 The original estimates had assumed that the material being removed from Imerys Minerals Limited's ("**Imerys**") land would have to be removed by Griffiths and disposed of as waste and therefore be subject to landfill tax. During negotiations with Imerys over land values, however, an agreement was reached by which this excess material would be removed by Imerys under contract and transferred to their processing facility all at a highly

competitive rate. This means that the material is neither treated as waste nor subject to any landfill tax charges.

4.28.4 The award of the Design & Build Contract, undertaken through an OJEU Open Tender competitive process, has come in under estimate largely due to risk around the Imerys issue having been being resolved pre-tender. This, together with the Imerys contract savings, has enabled:

4.28.4.1 an increase in the funding made available for the complementary measures;

4.28.4.2 an increase in the funding for land acquisition to support agreements reached with landowners; and

4.28.4.3 the risk allowance to be substantially increased to allow for future variations.

4.29 At its meeting on 13 February 2019, Cabinet authorised the submission of the FBC under delegated authority.

4.30 On 17 September 2019, a delegated decision was taken by the Leader of the Council for the FBC to be submitted once finalised.

4.31 The FBC was submitted in final draft form to DfT in August 2020, with the delay caused by a change in government guidance and the need to undertake further traffic modelling. The submitted FBC has been through a rigorous technical assessment by the DfT. The revised cost plan (as summarised in the above table) is set out in the Financial Case at section 7 page 121 of the FBC as well as in greater detail within Appendix F-2 of the FBC. As the appointed cost management consultants for the Scheme, and in order to provide the DfT with further assurance around the cost assumptions, Mace provided an independent assessment of the cost plan (Appendix F-3 of the FBC).

4.32 Since the taking over of the project by the Project Director, the Scheme has been the subject of monthly reporting as one of the Council's identified Strategic & Critical ("S&C") projects. Its inclusion in the S&C reporting underlines its importance to the Council in delivering the economic benefits to mid-Cornwall as set out in the FBC. In addition, quarterly reporting to the DfT has been continuing providing an opportunity to keep the DfT up to date with programme, spend and issues.

4.33 In summary, the Scheme remains affordable within the context of the overall funding available. Any variations are being managed through the allocation of the sum contained in the risk allowance.

4.34 The Council has agreed with the DfT that a final version of the FBC will be submitted during August 2021 so that the final programme dates and cashflow prediction set out in the FBC can be updated, including Appendix D-1 (Project Programme) and F-2 (Cost Report) in the FBC. The timing of this submission is dependent on the conclusion of negotiations with the remaining objectors to the Orders and therefore may have to take place in September on the conclusion of the Public Inquiry.

Risk Management

4.35 Project risk management plays a key role in achieving project objectives by identifying, analysing and responding to risks that impact on them throughout the life of a project. It plays a key role in selecting good projects, determining project scope and developing realistic estimates, thereby contributing to a successful project outcome.

- 4.36 Through project risk identification and analysis, information is made available about the viability of the project and to support project planning throughout the life of the project. It helps keep stakeholders fully informed about possible risk events and conditions, mitigations that are being applied and risks that are being monitored. The major outcome of project risk management is an increased probability that projects are delivered within programme and to budget.
- 4.37 Unsatisfactory project risk management can have negative outcomes. An unrealistic belief can be generated that all risks have been accounted for and that there are no further concerns, and it often adds substantial costs and time to the completion of the project.
- 4.38 Part of the identification and analysis of risks are the different ways in which those risks can be mitigated and a forecasting of the potential time and financial implications of the mitigated risks occurring. This is collected in a quantified risk analysis ("**QRA**") table to which statistical analysis is applied in order to determine the final table of risks, often expressed in order of impact.
- 4.39 To ensure that the right level of risk allowance is kept in place during all phases of the project, the Council uses the outcome of the QRA and undertakes a Monte Carlo analysis, whereby multiple iterations (often hundreds of thousands) of mitigated risk combinations are applied to the project. This creates a statistical outcome in the form of a normal distribution curve of the outcome of these iterations, and at an agreed confidence interval (usually 90%), a monetary value for the QRA is derived. This is the minimum value that is used for the risk allowance and the exercise is repeated at a minimum of monthly intervals to ensure the risk allowance is adequately resourced.

- 4.40 Over time, as the construction phase proceeds the predicted risks either occur (and the risk allowance depleted) or they pass. It is therefore normal for the risk allowance to fluctuate during the life of the project.
- 4.41 At the start of the project a contingency (or risk) allowance is provided in the initial estimates to allow for miscellaneous unforeseen costs (such as unforeseen ground conditions, changes in the law, delay, extreme weather events, etc.) which cannot be classified under any other category. In construction contracts usually three to five percent of contract value is provided as contingency allowance. If there is a saving in the contingency allowance, then this amount can be used for execution of extra items of work. That means when variation claims are raised the risk allowance can be utilised to pay the contractor.
- 4.42 The risk allowance on the Scheme currently sits at around 10% of the overall budget and is considered a healthy allowance.
- 4.43 An updated QRA was included in the FBC and shown at Appendix D-4 (Risk Management Plan) and Appendix F-1 (Quantified Risk Register) of the FBC.

5 CONCLUSIONS

- 5.1 None of the objections received following the advertising of the Orders raised issues relating to the preferred route, how that was selected through route selection, how its final layout was derived from detailed junction optioneering, or any aspect of its costing and funding (save for a minor point about inflation).
- 5.2 The funding for this Scheme is a combination of capital funding being provided by the Council and funding through the LLM fund administered by the DfT. The Scheme is currently included within the LLM programme following the submission of an OBC by the Council to the DfT and subsequent acceptance by the Council of the DfT's offer of Programme Entry.
- 5.3 The release of the DfT funding requires only the satisfactory confirmation of the Orders and the submission of an updated FBC. Therefore the confirming minister can have a reasonable expectation that funding would be available to complete the compulsory acquisition within the statutory period.
- 5.4 The Scheme selected is the optimal route from all those considered and can be met for the least cost with the least impact on land acquisition. A robust cost plan was prepared for this route as part of the development of the OBC and this has been further updated during the preparation of the FBC. As each procurement has been concluded, out-turn cost certainty has increased and the Scheme remains affordable within the confines of the available funding.

- 5.5 The financial risks associated with the delivery of the Scheme have been fully considered, particularly that resulting from delay and any associated cost pressures resulting from inflation. A healthy risk allowance has been set and is included in the cost plan for the Scheme. This allowance is sufficient to be able to manage any changes in cost.
- 5.6 Despite having received seven objections in respect of the Orders associated with this Scheme (being two objections to the SRO and five objections for the CPO), some have already been withdrawn as a result of negotiations with the affected parties. For those that remain, the landowners concerned have expressed support for the Scheme and their objections relate entirely to financial or contractual matters that do not impinge on the reasons for the Scheme, its route, or extent.