Nottingham Cycle City Ambition Programme

BUSINESS CASE – FINANCIAL CASE

April 2013

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1 INTRODUCTION

1.1 The purpose of this Financial Case is to evidence a robust estimation of the package costs, set out the local contributions that will add value and illustrate the commitment of the project partners.

1.2 The Financial Case sets out:

- The basis on which the cost estimates have been derived, including consideration of inflation, cost risk and optimism bias;
- The quantum and sources of local contributions;
- Overall resultant cost estimates and profile; and
- Chief financial officer sign off relating to the accuracy of the cost estimates and confirmation that the local authority has the means to accept the financial liability of the project going ahead.

2 BASIS OF COST ESTIMATES

2.1 Nottingham City Council has gained considerable experience and expertise in the procurement and successful delivery of cycle infrastructure over many years. This experience has provided a reliable database of cost estimate information on which the bid figures have been based.

Inflation

2.2 An allowance of 2.7% per annum has been assumed for inflation within the base cost estimates. This is consistent with TAG Unit 3.5.9, with the recently submitted Nottingham Ring Road Major Scheme inflation assumption and with our recent LSTF programme submission. The allowance has been applied within the figures for costs incurred in 2014-15 and 2015-16.

Risk adjustment

2.3 The Risk Assessment is included in the Management Case. The probability and impacts of each risk were identified and mitigating measures proposed accordingly. The resultant mitigated risk register did not include any areas identified as Red (high risk); all being Blue (medium risk) or Green (low risk). For this reason it was concluded that risks could be managed effectively (particularly in view of the short programme timescale) and that it was not proportionate to undertake a full Quantified Risk Assessment (QRA). In addition, there is some flexibility in the way that some programme elements are realised (for example, neighbourhood level cycling improvements), since community involvement in defining their exact form and location is part of the programme. This means that the overall programme cost can be managed to keep within the base cost estimates (which are, in any case, conservative). Therefore it was judged that no additional uplift for cost risk from the base costs was appropriate.

Optimism bias

2.4 Optimism bias is the demonstrated systematic tendency for appraisers to be overly optimistic about key parameters. Costs have been uplifted by 3% to account for optimism bias – this level accords with TAG Unit 3.5.9 for a cycling infrastructure scheme at Stage 3 (which is effectively where the NCCAP bid sits). It should be noted that within the Economic Case, we have used a much higher level of optimism bias in order to ensure that benefit/cost ratios are conservative.

2.5 In submitting this bid, Nottingham City Council recognises that should the optimism bias or cost risk be higher than anticipated any additional cost that cannot be managed away will fall on the Council and not on DfT.

3 LOCAL CONTRIBUTIONS

3.1 Table 3-1 shows a breakdown of proposed contributions to the overall cost, broken down by financial year. This shows 35% funding from local contributions and 65% DfT funding.

Table 3-1: Funding breakdown

Programme Totals				
£000s	**2013/14**	**2014/15**	**2015/16**	**Total**
DfT funding sought	2100	4000		6100
Local authority contribution	962	1528	570	3060
Third party contribution	195	25	0	220
Total	3257	5553	570	9380

3.2 The local authority contribution will come from Nottingham City Council. This includes:

- Health sector funding that now sits with the local authority (previously with the PCT);
- Funding from Nottingham's unique Workplace Parking Levy scheme;
- Integrated Transport Block funding; and
- Funding from Council Parks and Open Spaces budget.

3.3 The third party contributions come from:

- Sustrans - £150,000 (River Leen cycle path);
- UCycle scheme partners - £50,000 for measures associated with the cross-city cycle routes and city centre cycle improvements in the vicinity of the two Universities; and
- Section 106 funding associated with a development adjacent to the River Leen cycle path.

3.4 Letters of intent/commitment from the external partners are included in the Appendices to the NCCAP bid.

4 COST/CONTRIBUTION BREAKDOWN

4.1 A cost breakdown is provided in Table 4.1, clearly showing the costs of each package element and proposed contributions/sources.

Table 4-1: NCCAP financial breakdown by workstrand and year

£000s	2013/14		2014/15		2015/16		Total	
Programme element	**Rev**	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**
Workstrand 1: High quality cross-city cycle routes								
DfT funding sought		300		1,700			**0**	**2,000**
Local contribution	0	265	0	385	50	220	**50**	**870**
LTP3 Infrastructure funding		200		100		200	**0**	**500**
Ring Road Major Scheme (cycling element)				200			**0**	**200**
LTP3 Smarter Choices				20		20	**0**	**40**
Ucycle partner 3rd party		15		15			**0**	**30**
Workplace Parking Levy funding		50		50	50		**50**	**100**
Total package cost	0	565	0	2,085	50	220	**50**	**2,870**
Workstrand 2: Cycle-permeable city centre								
DfT funding sought		500		500			**0**	**1,000**
Local contribution	0	170	30	360	30	20	**60**	**550**
LTP3 Infrastructure funding		100		100			**0**	**200**
Turning Point East Scheme				200			**0**	**200**
Workplace Parking Levy funding		30	30		30		**60**	**30**
Ucycle partner 3rd party		10		10			**0**	**20**
LTP3 Area Capital		30		30			**0**	**60**
LTP3 Smarter Choices				20		20	**0**	**40**
Total package cost	0	670	30	860	30	20	**60**	**1,550**
Workstrand 3: Neighbourhood cycle infrastructure improvements								
DfT funding sought		250		750			**0**	**1,000**
Local contribution	0	250	50	320	50	120	**100**	**690**
LTP3 Infrastructure funding				100			**0**	**100**
LTP3 20mph		50		50		100	**0**	**200**
Workplace Parking Levy funding		50	50		50		**100**	**50**
LTP3 Small scale improvements		100		100			**0**	**200**
Nottingham Health and Wellbeing Board (cycling		50		50			**0**	**100**
LTP3 Area Capital							**0**	**0**
LTP3 Smarter Choices				20		20	**0**	**40**
Total package cost	0	500	50	1,070	50	120	**100**	**1,690**
Workstrand 4: Greenway - Off-road River Leen cycle route and park cycling infrastructure								
DfT funding sought		1,000		1,000			**0**	**2,000**
Local contribution	0	422	0	358	30	0	**30**	**780**
LTP3 Infrastructure funding							**0**	**0**
Sustrans 3rd party funding		150					**0**	**150**
Workplace Parking Levy funding		30		36	30		**30**	**66**
NCC Parks and Open Spaces funding		100		200			**0**	**300**
Basford Gasworks Devt 3rd party S106 funding		20					**0**	**20**
Nottingham Health and Wellbeing Board (cycling		102		102			**0**	**204**
LTP3 Area Capital		20		20			**0**	**40**
Total package cost	0	1,422	0	1,358	30	0	**30**	**2,780**
Workstrand 5: Management, monitoring and evaluation								
DfT funding sought		50		50			**0**	**100**
Local contribution	0	50	0	50	0	50	**0**	**150**
LTP3 Smarter Choices		20		20		20	**0**	**60**
LTP3 Indicators monitoring		30		30		30	**0**	**90**
							0	**0**
Total package cost	0	100	0	100	0	50	**0**	**250**

Programme Totals

£000s	2013/14		2014/15		2015/16		Total	
	Rev	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**
DfT funding sought	0	2100	0	4000	0	0	0	6100
Local authority contribution	0	962	80	1,448	160	410	240	2820
Third party contribution	0	195	0	25	0	0	0	220
Total	0	3257	80	5473	160	410	240	9140

5 SECTION 151 OFFICER SIGN-OFF

5.1 The Section 151 Officer Sign-Off is included in the NCCAP bid application form, confirming that the cost estimates provided in the bid are the most accurate available and the City Council has the means to accept the financial liability of the project going ahead.