Nottingham Urban Area

Local Sustainable Transport Fund Main Bid

Business Case December 2011

Volume 4: Financial Case



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Volume 4: Financial Case

Contents

1	Introduction	1
2	Cost estimates	1
3	Cost/Contribution breakdown	4
4	Section 106 Officer sign-off	4
5	Financial sustainability	4

1. Introduction

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, and demonstrate that the proposals are sustainable beyond the funding period.

The Financial Case sets out:

- The basis by which the cost estimates have been derived;
- Treatment of inflation and cost implications of key risks;
- The quantum and sources of local contributions;
- 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;
- How the measures will be viable and benefits sustained beyond the funding period.

2. Cost estimates

Nottingham City Council (along with the other bidding authorities and our partners) have gained considerable experience and expertise in the procurement and successful delivery of a wide range of Smarter Choices measures over many years. This experience has provided an extensive database of cost estimate information on which the bid figures have been based.

An allowance of 2.7% per annum has been assumed for inflation in the cost estimates. This is consistent with the recently submitted Nottingham Ring Road Best and Final Bid inflation assumption. The allowance has been applied at an aggregate level to the total figure, though is not fully reflected in the profile. This can be revisited at a later stage.

The risk register 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 and that it was not proportionate to undertake a full Quantified Risk Assessment (QRA). Furthermore, very little evidence exists for potential cost uplifts for work of this nature, and delays to scheme implementation, which are a key consideration in QRAs for large infrastructure projects, are not anticipated to be a concern. Therefore it was judged that no uplift for cost risk was appropriate.

Costs have been uplifted to account for Optimism Bias as described in the value for money summary. Different levels of Optimism Bias have been applied for each type of measure drawing upon the advice in TAG Unit 3.5.9 for schemes at the “Programme Entry” phase.

Local contribution

The financial table below includes a breakdown of proposed contributions. This can be summarised as:

Total scheme costs	£25.095m
DfT contribution (%)	£10.820m (43%)
Local contribution (%)	£14.275m (57%)

The local contribution comprises commitments from the three bidding authorities and from a wide range of partners as outlined below.

Table 1.1: Local contributions sources

Organisation	Contribution (£m)
Nottingham City Council	£6.725
Nottinghamshire County Council	£2.670
Derbyshire County Council	£0.132
Growth Point funding	£0.420
Developer contributions	£0.180
Nottingham City Transport	£1.800
Further Education establishments	£0.600
Nottingham University Hospital Trust	£1.500
NHS Nottingham City	£0.240
British Cycling Breeze programme	£0.008
E.ON UK	Not quantified
Capital Shopping Centres	Not quantified
Alliance Boots	Not quantified
ITP consultants	Not quantified
Tramlink	Not quantified

From this it can be seen that a very high local contribution of 57% of quantified contributions is proposed and there is a considerable level of buy-in from the partnership organisations.

Letters of intent/commitment from the external partners are included in the Appendices section in Appendix A.

Although a high level of local contribution has been identified it would ideally have been desirable to show higher levels of private sector contributions in the bid. A number of private sector organisations are supporting the bid as set out in Table 1.1 above.

Unique to Nottingham however is the fact that the City Council is currently preparing for the introduction of the UK's first Workplace Parking Levy scheme. This means that employers with sites located within the City boundary have been required to licence the number of commuter parking spaces at workplaces on the basis that they will have to pay an annual charge if they have more than ten commuter car parking spaces. The income derived from the scheme is supporting an agreed package of public transport measures that includes contributions to NET Phase Two, Nottingham Station Hub and sustaining Nottingham's Linkbus network. As a result of this the general view of local businesses has been that they will be making a substantial contribution to sustainable transport in Nottingham through the introduction of the levy.

It is expected that the Workplace Parking Levy will generate in excess of £8 million for the specified public transport schemes from 2012/13 increasing over the period of the LSTF. The income generated by the levy is not included within the LSTF programme but the schemes supported are clearly complementary to the bid and mutually supporting.

3. Cost/Contribution breakdown

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

Table 1.2: LSTF financial breakdown by workstrand and year

£m	2011/12	2012/13	2013/14	2014/15	Total
Item 1: Work Package A					
DfT revenue		0.450	0.495	0.495	1.440
DfT capital		0.550	0.150	0.150	0.850
Local contribution		0.965	0.965	0.965	2.895
Total		**1.470**	**1.475**	**1.475**	**4.420**
Item 2: Work Package B					
DfT revenue		0.175	1.150	1.150	2.475
DfT capital		0.400	0.700	0.700	1.800
Local contribution		0.805	0.805	0.685	2.295
Total		**1.380**	**2.655**	**2.535**	**6.570**
Item 3: Work Package C					
DfT revenue		0.230	0.435	0.435	1.100
DfT capital		0.910	0.640	0.640	2.190
Local contribution		3.114	2.584	2.584	8.282
Total		**4.254**	**3.659**	**3.659**	**11.572**
Item 4: Work Package D					
DfT revenue		0.350	0.570	0.570	1.490
DfT capital		0.650	0	0	0.650
Local contribution		0.165	0.208	0.205	0.578
Total		**0.580**	**0.778**	**0.775**	**2.133**
Item 5: Work Package E					
DfT revenue		0.350	0.700	0.700	0.175
DfT capital		0	0	0	0
Local contribution		0.750	0.750	0.750	0.225
Total		**0.110**	**0.145**	**0.145**	**0.400**
Key component (already funded)					
DfT revenue	0.995	1.335	0.760	0.760	3.850
DfT capital	0.250	0.525	0.150	0.150	1.075
Local contribution	1.740	1.600	0.855	0.620	4.815
Total	**2.985**	**3.460**	**1.765**	**1.530**	**9.740**
Totals					
Total package cost (entire project)	2.985	11.254	10.477	10.119	34.835
Total revenue (entire project)	1.515	4.949	6.282	6.089	18.835
Total capital (entire project)	1.470	6.305	4.195	4.030	16.000
Total DfT funding requested (for this bid only)		**2.670**	**4.075**	**4.075**	**10.820**
Total local contribution (including any contribution made to the key component bid)	1.740	6.724	5.492	5.134	19.090
Allowance for inflation	2.7% Per Annum				
Cost of risks identified in quantified risk assessment (QRA)	See above				

A more detailed cost breakdown for each of the workstrands aligned with the relevant partner contributions for both the Key Component and this Main Bid packages is included in the Appendices section (see Appendix I).

4. Section 151 Officer sign-off

The Section 151 Officer Sign-Off is enclosed in Appendix J 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.

5. Financial sustainability

The development of the LSTF main bid programme has been developed with the long term financial sustainability a key consideration.

Delivery of the Local Transport Plan Integrated Transport Block is already heavily biased towards the implementation of sustainable transport measures and this will continue beyond the life of the LSTF bid. Typically around £3 million of LTP funding per annum is spent on the types of measures contained within the bid within the urban area and this level of expenditure can be expected to continue into the future.

Encouraging public transport use is at the centre of the City's transport delivery strategy and confirmation that NET Phase Two is to go ahead provides a further boost to continue to incentivise further modal change to ensure revenue targets are achieved well beyond the LSTF funding period and that Lines two and three of the tram are as successful as the first.

The Workplace Parking Levy is expected to generate upwards of £8 million per annum from 2012/13. The income generated by the levy is ring fenced specifically for the development of the public transport system in Nottingham. As part of levy implementation a budget of approximately £180,000 has been allocated per annum for ongoing business support related activities and as such can continue to support some of the key business/workplace travel planning activities contained in the package.

The process of developing the LSTF bid is helping to strengthen the links between transport, economic development and health delivery agencies. By developing these relationships we expect to be able to better coordinate funding sources in the future which will help to continue to deliver successful elements of the programme.

Continuing to build the capacity of the third sector will allow some activities currently carried out by Councils to be fully taken over by such organisations without the need for ongoing revenue support.

Certain elements contained within the bid such as sustainable transport events and Nottingham car club should be self financing after a period of pump priming provided through the bid.

Over the next 20 years up to 50,000 new homes are being planned for construction across the Greater Nottingham conurbation. Emerging development plans contain policies to secure developer contributions for transport measures that support the take up of sustainable travel and travel plans.

Where a long term funding source cannot be identified it will be necessary to scale back levels of activity to affordable levels.

The following table sets out how benefits achieved through each of the workstrands can be sustained beyond the funding period.

Table 1.3: Sustaining the benefits of workstrand elements

Ref	Description	Sustaining the benefits
PACKAGE A – Enhanced Smartcard/Personalised Travel Planning		
A4	Smartcard ticketing	Existing card issue, back office and reimbursement arrangements will continue and scale of future travel offers subject to ongoing funding agreements with third parties
A5	Ways to Work	Potential for ongoing funding support through partnership with economic development agencies
A6	Educational Travel Training	Will continue to be delivered in-house once established
A7	Homemovers Packs and Personalised Journey Planning	Potential to be funded via developer contributions once model established
A8	Inclusive Accessibility	Will continue to be delivered in-house once established
PACKAGE B – Community Smarter Travel Hubs		
B2-5	Establish Community Hubs	Potential to be sustained by third sector once community networks are established.
B6	Places for People	Further schemes could be LTP funded at a scale dependent on funding allocations
PACKAGE C – WorkSmart		
C2	Green Bus Purchase	Potential to fund future Linkbus purchases via WPL income or further national Green Bus type fund programmes if repeated
C3	Cycle Infrastructure	Further schemes could be LTP funded at a scale dependent on funding allocations
C4	Electric Vehicle Charging Infrastructure	Once a critical mass of electric charging infrastructure is established and costs reduce it is likely electric vehicle users will fund associated infrastructure provision. Also potential for employers to fund charging facilities at workplaces or developers as planning requirements
C5	ECO driving business support	Could be sustained through contributions from employers/sponsorship or considered as part of WPL support offer
C6	City Car Club	Should be self financing after pump priming period
PACKAGE D – Active Travel Solutions		
D2	Co-ordinated cycling Programme	Potential to be sustained by the third sector once increased capacity generated
D3	Active Travel Events	Some events may be self funded in the longer term. Community events will have to be scaled to local funding availability
PACKAGE E – LSTF Programme Management		
E2	Recruit Programme Manager	Directly linked to programme period
E3	Monitoring and Evaluation	Sustainable transport indicator data collection necessary for ongoing LTP effectiveness monitoring