

3. Financial Case

The Financial Case concentrates on the affordability of the proposal and its funding arrangements.

It presents the financial profile of the proposed scheme and any associated risks. It determines the project costs per year and over its lifespan.

3.1 Affordability Assessment

Please explain how the affordability of the proposed scheme has been assessed.

The Lancashire Growth Deal aims to realise the growth potential of the whole of Lancashire. Improving transport connectivity through new roads, improved junctions and public transport to support growth in jobs and homes is a key component of the growth deal.

Scheme cost estimates have been provided for each of the scheme elements by Capita in November 2019 as a result of contractor tender submissions. Three contractors (EWCE, Casey's and I&H Brown) have submitted their proposals on time. Based on the cost and quality of the submissions, Casey's are to be appointed imminently.

The split of costs for each project element is summarised as follows:

Haslingden Road Improvement Scheme

- Total Construction Costs: £1,492,037
- Land: £575,500
- Statutory Undertakers C3 Estimates: £1,698,066
- Risk Allowance (Post Mitigation): £389,192
- Total Construction Estimate (Post Mitigation): £4,154,794

Blackmoor Road Link Road

- Total Construction Costs: £3,275,706
- Land: £0
- Statutory Undertakers C3 Estimates: £872,702
- Risk Allowance (Post Mitigation): £506,105
- Total Construction Estimate (Post Mitigation): £4,654,513

Haslingden Road / Old Bank Lane / New Hospital Access

- Total Construction Costs: £653,483
- Land: £45,000
- Statutory Undertakers C3 Estimates: £743,719
- Risk Allowance (Post Mitigation): £170,458
- Total Construction Estimate (Post Mitigation): £1,612,661

Overall Scheme Preparation - £910,956

Overall Scheme Supervision - £227,076

The total confirmed cost is to be funded as follows:

- Growth Deal 3 (LEP): £9,050,000 (78%)
- BwDBC local contribution: £2,510,000 (22%)
- Total funding: £11,560,000

Several pieces of land have been acquired to ensure the scheme can be delivered. The value of land acquired (including accommodation works) is £620,500. A report detailing the land purchased to enable the delivery of this scheme is provided as Appendix P.

<p>3.2 Financial Costs</p> <p><i>Please provide details of the Whole Life Costs of the proposed scheme and a profile of the costs over the period shown.</i></p> <p>See Scheme Costs Guidance</p>	<table border="1"> <thead> <tr> <th colspan="4">Whole Life Costs (£m)</th> </tr> <tr> <th>Year</th> <th>2018/2019</th> <th>2019/2020</th> <th>2020/2021</th> </tr> </thead> <tbody> <tr> <td>Profile</td> <td>0.16</td> <td>3.5</td> <td>7.9</td> </tr> </tbody> </table>	Whole Life Costs (£m)				Year	2018/2019	2019/2020	2020/2021	Profile	0.16	3.5	7.9												
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<p>3.3 Financial Cost Allocation</p> <p><i>Please illustrate how the Whole Life Costs (WLC) will be allocated between the organisations involved in the delivery of the proposed scheme.</i></p> <p><i>Also provide a cost profile of the costs allocated to each organisation over the period shown.</i></p>	<table border="1"> <thead> <tr> <th colspan="4">Local Growth Fund, LEP (£m)</th> </tr> </thead> <tbody> <tr> <td>Profile</td> <td>0.125</td> <td>2.74</td> <td>6.185</td> </tr> <tr> <th colspan="4">Private Sector (£m)</th> </tr> <tr> <td>Profile</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <th colspan="4">Other Public Sector, BwDBC (£m)</th> </tr> <tr> <td>Profile</td> <td>0.035</td> <td>0.76</td> <td>1.715</td> </tr> </tbody> </table>	Local Growth Fund, LEP (£m)				Profile	0.125	2.74	6.185	Private Sector (£m)				Profile	0	0	0	Other Public Sector, BwDBC (£m)				Profile	0.035	0.76	1.715
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<p>3.4 Financial Risk</p> <p><i>Please provide details of any financial risks associated with the delivery of the proposed scheme. Explain how these have been assessed and quantified. Have funds been committed? Identify any known shortfall in funding and provide evidence of how this shortfall will be addressed.</i></p>	<p>A detailed risk register for each of the scheme elements is provided in Appendix D. An overall risk value (post mitigation) of £1,065,755 has been allowed. Key financial risks are summarised below:</p> <ul style="list-style-type: none"> • Ground conditions contamination or ground gasses; • Statutory undertakers and impact upon existing services; • Phasing and timing of site works and statutory undertakers works; • Signage design not confirmed; • Delays in obtaining Traffic Regulation Orders; • Unknown Statutory undertakers, potential diversion works as part of the scheme i.e. ENW, United Utilities, Virgin Media, BT etc; • Capacity of existing drainage network; and • Contractors' capacity to deliver work. 																								
<p>3.5 Financial Risk Management</p> <p><i>Please provide details of any risk allowance or contingency built into the Whole Life Costs of the project. Explain the rationale for the level of risk/contingency allocated and how this will be managed.</i></p>	<p>Risk associated with this scheme has been estimated at £1,065,755 which is based on the Risk Register provided in Appendix D.</p> <p>Scheme cost estimates have been provided by Capita in November 2019 as a result of contractor tender submissions. Three contractors (EWCE, Casey's and I&H Brown) have submitted their proposals on time. Based on the cost and quality of the submissions, Casey's is to be appointed imminently.</p>																								
<p>3.6 Financial Accountability</p> <p><i>Please explain who will be responsible for managing the finances of the project. What arrangements are in place to ensure diligent financial management is in place?</i></p>	<p>The overall scheme cost will be monitored by the Blackburn with Darwen / Capita Design Team and regularly reviewed in terms of finances by the Project Manager.</p> <p>Regular liaison and cost reviews will take place with the scheme's main contractor and the Council's project team with technical input provided by the Council's strategic partner, Capita. The overall cost of the works will be reviewed and confirmed, with the works costs assessed every 4 weeks.</p>																								

Financial Case Summary

The Lancashire Growth Deal aims to realise the growth potential of the whole of Lancashire. Improving transport connectivity through new roads, improved junctions and public transport to support growth in jobs and homes is a key component of the growth deal.

The South East Blackburn scheme is looking for Growth Deal funding of £9,050,000 accounting for 78.3% of the total scheme cost. The remaining funding (21.7%) will be provided by BwDBC.

The overall scheme cost estimate is therefore £11,560,000 with an overall package Core BCR of 3.27.

Risk associated with this scheme have been estimated at £1,065,755 This is based on an analysis of the project risks as set out in the Risk Register based on scheme specific contributory factors related to cost and programme risk. The risk value is based on the post mitigation value.

The overall scheme cost will be monitored by the BwD / Capita Design Team and regularly reviewed in terms of finances by the Project Manager.