

17.0 Financial Overview

- 17.1.1 This section briefly summarises the funding required for this scheme, its cost derivation, and identifies areas of possible financial risk and likely future expenditure.
- 17.1.2 The preliminary engineering design has been used as the basis for establishing the likely costs of construction. As mentioned previously these estimates are based upon tendered and actual construction prices arising from local contracts, particularly the Gedling Transport Improvement Scheme which opened in May 2007. The scheme costs are itemised in Chapter 7, Table 7.2a.
- 17.1.3 In deriving the cost estimate a detailed risk assessment has been undertaken (see Section 13). This sets out the financial implications arising from uncertainty in the estimating process. A pessimistic scenario is reflected in the price estimate for the scheme, which hopefully will not materialise.
- 17.1.4 The anticipated capital cost of constructing a new link road, a bus only road, pedestrianisation of part of the High Street and all associated work is £10.051 million at current prices (2007 Quarter 2). This estimate includes an 8% allowance for unforeseen circumstances. This estimate does not however include any allowance for optimism bias.
- 17.1.5 The cost estimate includes a sum of £3.267 million for land purchase. The land already acquired by the authority over the last 30 years has been valued at current full market value and this represents 56% of the total land cost for the scheme. Of the land to be acquired it is not expected that there will be any surplus that can be resold. Any land not falling within the confines of the new road and footway construction will be used for landscape and mitigation purposes.
- 17.1.6 To date the advanced land purchase, feasibility assessment and business case preparation costs have been funded from the County Council's funds and the County Council will continue to commit some of its resources to the delivery of this project. However the levels of expenditure required to fulfil the detailed scheme preparation and implementation are substantial and could not be delivered from the County Council's own budgets. Accordingly the Council is seeking financial resources from the Government to allow this project to proceed. The proportion of the total project cost that the County Council is seeking is 75%, with the remainder coming from the local authority and private developer contributions.
- 17.1.7 The scheme once opened would of course require ongoing operating and maintenance expenditure which the County Council would fund. The whole life costs of this project are estimated at £13.063m.
- 17.1.8 The sum in the LTP bid for funding from the DfT is £9.571million (at projected out turn costs) which includes inflation and contingencies but excludes optimism bias. Table 7.2c in Chapter 7 shows the expenditure profile at outturn prices which would be required to deliver the scheme to the timetable is listed in paragraph 11.3.8 and illustrated in detail in Appendix H.

- 17.1.9 The financial risks associated with the project have been assessed and are included within the Risk Register (appendix D).
- 17.1.10 The main sources of risk identified by the Risk Register are associated primarily with utilities and include: risk of encountering uncharted services during excavation, risk of inaccurate estimates and long lead-in times for diversionary work by utility companies. The town centre location increases the likelihood of encountering a large number of services and past experience within Nottinghamshire County Council has demonstrated that dealing with these types of risk may prove costly and time-consuming.
- 17.1.11 Other sources of risk identified include: issues relating to the value of compensation events exceeding budget allocation, unauthorised occupation of buildings to be demolished and unforeseen difficulties in gaining Environment Agency approval for detailed culvert designs.
- 17.1.12 The Risk Register details the mechanisms that will be put in place to prevent or minimise each of the risks, including resources and cost implications of risks being realised. Measures for mitigating risks will be discussed at Project Team meetings to enable the Risk Register to be further developed as the project progresses with significant risks being escalated through the Project Board. Appointment of a contractor under ECI (see Chapter 18) will allow the anticipated construction risks to be re-examined and reduced as appropriate.