



Greater Cambridge Partnership

CAMBOURNE TO CAMBRIDGE

Outline Business Case Appendix C - Financial
Case Addendum



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1 INTRODUCTION

1.1 OUTLINE BUSINESS CASE

- 1.1.1. The Cambourne to Cambridge Public Transport Project (CtoC) Outline Business Case (OBC) Financial Case document was prepared in January 2020¹. The OBC was developed in line with the HM Treasury and Department for Transport (DfT) guidance on the preparation of a 5-Case business case model.

1.2 PURPOSE OF THIS DOCUMENT

- 1.2.1. This Financial Case Addendum provides a companion document to the existing OBC Financial Case.

1.3 STRUCTURE OF THIS DOCUMENT

- 1.3.1. The structure of this document is set out below.
- Chapter 2 provides a summary of the Financial Case developed in January 2020 and sets out the areas for review and update in this addendum document; and
 - Chapter 3 sets out the areas of the Financial Case updated in this addendum document which reports on scheme costs, funding arrangements and accounting implications in April 2024.

¹ <https://www.greatercambridge.org.uk/asset-library/Sustainable-Transport/Public-Transport/Cambourne-to-Cambridge/C2C-OBC-Jan-2021/C2C-Jan-2020-App-1-Financial-Case.pdf>

2 FINANCIAL CASE

2.1 INTRODUCTION

- 2.1.1. The Financial Case for the OBC was published in January 2020. This section provides a summary of the scheme costs, funding arrangements and accounting implications.

2.2 SCHEME COSTS

- 2.2.1. The scheme costs for the preferred option were produced for a physically guided system (kerb guided system representing a 'worst case' assumption). Land cost estimates were prepared separately. The scheme costs developed are proportionate and affordable to the scale of issues identified in the Strategic Case and the predicted benefits assessed in the Economic Case.
- 2.2.2. In January 2020, the total (nominal) cost of the scheme at OBC stage was £127.6m, exclusive of risk allowance. At the Full Business Case stage, it was noted that the design would be at a greater level of maturity with unspecified uncertainties reduced to a minimum. A P80 value of 25% was applied to the base cost.
- 2.2.3. A summary of the cost for the preferred option is shown in Table 2-1.

Table 2-1 – Scheme Capital Costs

To be updated for Item	Cost £millions
Construction	82.481
Design	13.197
Project Management	9.707
Environment	1.394
Statutory Undertakings	1.100
Land Costs	7.951
Base Cost (4Q2018 prices)	115.830
Inflation (3% per annum until 2024)	11.777
Risk allowance	32.881
Total	160.488

Source: Outline Business Case, Financial Case, January 2020

- 2.2.4. The capital cost of the preferred option adjusted for a P80 risk level is £160.5m (nominal). A spend profile for capital costs was produced for 2020 to 2024. This profile is shown in Table 2-2.
- 2.2.5. Given the uncertainty in cost estimation due to the level of design undertaken P50 and P90 risk contingency allowances were estimated. This produced a cost range of £153.4million for P50 Risk and £165.2 million for P90.

Table 2-2 – Spend Profile Preferred Option, £millions

Cost Item	Costs 2014-19	2020	2021	2022	2023	2024
Annual Costs	3.214	8.661	10.568	61.977	68.354	7.714
Cumulative total	3.214	11.875	22.443	84.420	152.774	160.488

Note: Scheme costs 2014-19 are costs in developing the scheme up to OBC submission

- 2.2.6. Maintenance costs for the scheme were calculated from 2024 to 2084 with a total whole life cycle budget of £66.0 million. This is equivalent to £1.1 million per annum. The maintenance costs also included the operating costs for the Scotland Farm Park and Ride site. It was noted that maintenance costs would be subject to negotiation with potential providers.
- 2.2.7. The Financial Case stated that greater clarity on maintenance costs would be available at the next stage of business case development.
- 2.2.8. It should be noted that costs will potentially be incurred for the purchase and operation of new vehicles for CtoC. This will be available at the next stage of business case development. The OBC stated that these costs do not form a part of the current funding request.
- 2.2.9. It was noted that Value Engineering at the next stage of business case development would offer a means of reducing cost whilst achieving the aims of the scheme.

2.3 FUNDING ARRANGEMENTS

- 2.3.1. Funding for CtoC will be through the City Deal, the funding partnership between central government and local partners. The City Deal funding aims to enable Greater Cambridge to promote economic growth and development. However, the GCP is looking to secure an appropriate proportion of the costs from local developer contributions through the planning process. The working assumption of the OBC is that £37m will be secured from developers, including the developers at Cambourne West, Bourn Airfield, and the University of Cambridge West.
- 2.3.2. A S106 grant funding profile was developed up to 2024 based on the timescales current at the time the OBC was prepared. If the S106 funding is not available during the construction period, then funding will be secured through the City Deal. S106 funds will be returned to the City Deal once these funds become available. An 'in principle' £8.7m was secured through a S106 agreement with Cambourne West. Other S106 negotiations were ongoing at the time the OBC was prepared with the University of Cambridge West Cambridge development and the Bourn Airfield development.
- 2.3.3. A funding profile was estimated for the OBC which is shown in Table 2-3.

Table 2-3 – Preferred Option Funding Profile, £millions

	2014-19	2020	2021	2022	2023	2024	Total
City Deal	3.214	8.661	10.568	43.127	49.504	7.714	122.788
S106 contributions				18.850	18.850		37.700
Total	3.214	8.661	10.568	61.977	68.354	7.714	160.488

Source: GCP

2.4 ACCOUNTING IMPLICATIONS

- 2.4.1. The scheme was considered affordable based on City Deal funding of £122.8 million and £37.7 million of S106 funding. The OBC noted that £8.7 million is secured in principle through a S106 agreement with the Cambourne West developer.
- 2.4.2. In the event of cost increases or reduced S106 funding, the GCP will look to the Future Investment Strategy to underwrite these costs. Additional City Deal funding or other third-party funding opportunities would be considered to meet the full costs of the scheme. A value engineering cost review may also offer opportunities to reduce the scheme costs whilst minimising the impact on the delivery of the scheme objectives.
- 2.4.3. A preferred option for an operating maintenance strategy will be developed at FBC stage and include in the Financial Case. It is not expected that operating costs will be funded directly by the GCP.
- 2.4.4. The CtoC scheme is not anticipated to have any state aid implications. As the scheme promoter, the GCP will be funding the scheme under the organisation's statutory function requirement to provide public infrastructure. The OBC notes that the scheme will benefit multiple housing and employment sites along the corridor and not a sole organisation and therefore will not have state aid implications. Nevertheless, it is stated that a full state aid check will be carried out at FBC stage.

3 FINANCIAL CASE ADDENDUM

- 3.1.1. This Financial Case Addendum provides an update on the following sections of the Financial Case:
- Capital cost estimates (change in inflation assumptions, etc);
 - Funding arrangements; and
 - Accounting Implications

3.2 SCHEME COSTS

CAPITAL COSTS

- 3.2.1. The preferred option scheme costs were updated for this addendum following a review of the latest scheme design which included an optical guided busway specification (August 2022) and delivery plan. The inflation forecast assumed that construction was due to start in 1Q2025 with construction completed in 4Q2026. Inflation was applied to the total costs. An allowance of 3% inflation contingency per annum was included to account for current market conditions. The current scheme programme indicates a construction start of 1Q2026 with completion scheduled for 4Q2027. This movement in the programme was contemplated in the risk register and allowance has been made accordingly in the risk/contingency figures below. The updated costs based on these assumptions are shown in Table 3-1.
- 3.2.2. The updated scheme cost estimate is £192.3 million (nominal). The spend profile for the construction period is shown in Table 3-2.
- 3.2.3. The detailed breakdown of the capital cost estimate is provided in the CtoC-8-00 Estimate of Costs document.

Table 3-1 – Updated Preferred Option Scheme Costs, £millions

Item	Cost £millions
Base Direct / Indirect Construction Costs	97.881
Base In-Direct Non-Construction Costs	24.659
Risk/Contingency	37.941
Total	160.481
Inflation forecast	13.321
Inflation risk @3%	11.012
Land take cost	7.471
Total	192.285

Source: WSP

Table 3-2 – Spend Profile Preferred Option, £millions

	2014-2024	2024/25	2025/26	2026/27	2027/28	Total
Total	13.482	4.237	23.977	83.891	66.697	192.285

Source: WSP

LIFE CYCLE COSTS

- 3.2.4. Since the OBC a review has been undertaken of the life cycle costs for cyclical structures inspection and routine maintenance and highways maintenance. Over the 60-year appraisal period this is £7.685 million (4Q2022 prices).

OPERATING COSTS

- 3.2.5. The estimated operating cost was produced for the 2020 OBC. Its assumptions have been retained and the whole life operating costs of £205.29 million over a 60-year period equate to approximately £3.4m (2019 prices) per annum.

3.3 FUNDING ARRANGEMENTS

- 3.3.1. The scheme will be funded through the Greater Cambridge City Deal, along with third party Section 106 contributions, which are detailed below.

GCP has allocated sufficient funds from the City Deal to meet the balance of the remaining anticipated costs of the CtoC scheme following the receipt of developer contributions. These contributions are anticipated to amount to £37.7 million. They include:

- Cambourne West: £8.7 million secured funding plus direct delivery of the Broadway Link (£400,000) and the internal route within the site
- Bourn Airfield: £20 million – planning permission has been granted and the Section 106 agreement is in place, plus direct delivery of the internal route within the site
- West Cambridge: £9 million - planning permission has been granted and the Section 106 agreement is in place

- 3.3.2. The allocation of City Deal funds to the GCP's overall programme will be regularly monitored by the GCP Executive Board to ensure that as projects progress to full business case, the required funds are in place for each approved investment.

3.4 ACCOUNTING IMPLICATIONS

- 3.4.1. The expected impact on the GCP's balance sheet is not anticipated to have changed since the January 2020 Financial Case submission. The scheme is considered affordable based on City Deal funding and S106 funding.



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