

1 Financial Case

This section sets out the financial implications of replacing Cloddach Bridge in terms of capital and revenue costs. The cost breakdown is included in Appendix x.

1.1 Capital Cost

1.1.1 Pre-construction Costs (revenue cost)

Pre-construction cost include all costs associated with the design, delivery and promotion of the scheme prior to the appointment of a suitable experienced contractor. A number of investigative surveys have been undertaken, including a ground investigation, extended phase 1 ecology surveys and a flood study.

Remaining activities to be undertaken during the pre-construction phase include the costs associated with the procurement of a Design and Build Contractor.

1.1.2 Cost of Construction (capital cost)

The cost of construction has been estimated by one of the council's framework contractors. The costs have been estimated based on outline drawing 158148-FAI-CLO-DR-1700-01, which includes estimated concrete volumes and reinforcement densities associated with the new bridge construction.

The cost estimate includes all required preliminaries, temporary works and road and bridge construction elements. Allowance for inflation and risk have both been included within the sum for risk.

1.1.3 Other Capital Costs

To ensure that the capital cost estimate is robust a provisional sum of £100,000 has been added to the direct works cost estimate for diversion costs associated with the existing services (water main and BT overhead line). A summary of the capital costs is shown in Table X below.

1.1.3 Risk

A risk register was initially developed as part of the prefeasibility business case included in Appendix X. Risks have been reviewed through risk workshops with inputs from representatives from the Moray Council, consulting engineers and Moray Council framework contractors. Further discussion of how the quantified risk allowance has been calculated is included in the Management Case.

Preconstruction Costs	£30,000
Construction Costs	£2,654,345
Risk	£467,975
TOTAL	£3,152,320

Table 1.1 Capital Cost Summary Table

1.2 Whole Life Cost (WLC)

A whole life cost analysis of the structure was carried out in accordance with CD 355 'Application of whole life costs for design and maintenance of highway structures'.

- The evaluation period is taken over 60 years as recommended in CD 355, rather than the entire expected life of the structure.
- The analysis evaluation period of 60 years was considered, with an inflation rate of 3.5% up to 30 years of service life and then 3% for the subsequent years of service. The costs have then been discounted in accordance with The Green Book.
- The maintenance cost associated with regular General and Principal Inspections at an interval of 2 and 6 years respectively according to CS 450 has been applied.

Operation and maintenance cost estimates have been included within the costing estimates.

Option	Whole Life Cost Estimate
Minimum width integral bridge	£84,840

Table x Summary of Whole Life Costs

Therefore an additional £84,840 is added to the council revenue costs for the project

Full details of the Whole Life Cost estimate is included in **Error! Reference source not found..**

1.3 Inflation

To present costs in real terms, the impact of inflation has been considered within the risk allowance included in this business case. The estimates were produced at a 2024 price base, with a 7% annual rate of inflation assumed.

1.4 Optimism Bias

An allowance for Optimism Bias (OB) in line with recommendations in the HM Treasury Green Book (Green Book) has been provided within the capital cost estimate. As the project has been developed from feasibility, the optimism bias has been adjusted in line with the Green Book Supplementary Guidance.

Based on the calculation provided in table XXX below an OB value of 42% has been added to the capital and whole life cost estimates.

Contributory Factor	Contribution to Optimism Bias		Mitigation Factor	
Procurement	Procurement	2	1	2
Project Specific	Design Complexity	8	0.8	6.4
	Degree of Innovation	9	1	9
	Environmental Impact	5	0.5	2.5
Client Specific	Inadequacy of the Business Case	35	0.2	7
	Funding Availability	5	0	0
	Project Management Team	2	0	0

	Poor Project Intelligence	9	0.6	5.4
Environment	Site Characteristics	5	0.8	4
External Influences	Economic	3	0	0
	Legislation / Regulations	8	0	0
	Technology	8	0	0
	Other (specify)	1	0	0
TOTAL				36.3
MITIGATED OPTIMISM BIAS	(100-36.3)*66 = 42%			

Note that the % contribution to Optimism Bias. values in the table below have been taken from Table 2 and the Mitigation factor represents the degree to which contributory factors are managed.

Overall budget costs including risk and 42% optimism bias are summarized in Table x.

Preconstruction Costs	£30,000
Construction Costs	£2,654,345
Risk	£467,975
Optimism Bias	£1,114,825
TOTAL	£4,237,145

Full details of the cost estimate are included in **Error! Reference source not found.** of this report.

1.5 Funding – Capital Costs

On 21 March 2023, the UK Government announced £1,500,000 grant funding for the repair of Cloddach Bridge. The Department for Transport have provided guidance regarding the terms and conditions of the grant funding. These conditions are listed below.

- The grant funding available has a strong expectation to provide vehicular access.
- This funding is up to a maximum of £1,500,000 and is subject to 50% match funding being provided.
- A full business case (FBC) must be submitted to secure the grant funding. No funding is available from the UK treasury to develop the business case.
- The grant will be limited to the amount stated in the business case, i.e. the UK Government will not underwrite any risk that costs associated with the bridge works exceed £3m.
- The grant funding is available for this financial year, however, if information detailing how the match funding will be sourced and when the works can be implemented is provided, a mechanism may be possible to allow transfer of funding to the Council with ongoing monitoring of delivery.
- The grant funding available to undertake works to Cloddach Bridge apply only to the construction work on the bridge, which would include project team costs. The funding is capped at £1,500,000 and is subject to 50% match funding. After the funding has been allocated no funding to cover additional costs that may arise during construction works on the bridge will be made available by UK Government.

Moray Council are seeking the full available grant contribution of £1,500,000 from the UK Government towards the Capital costs of the scheme. The Moray Council are responsible for

sourcing the remaining budget of £2,737,145. A special meeting of the Moray held on 27th March during which

1.6 Funding -Whole Life Costs

Moray Council will be responsible for future operating costs of the bridge, maintenance costs of the bridge.

1.7 Spend Profile

The project has been progressed to date based on the UK Governments qualified offer of grant funding in order to repair the bridge. The progression of the project to construction is depending on this funding, which is available for a single financial year.

Scheme Element	Total	2024/25	2025/26
Preconstruction	£30,000	£30,000	0
Construction	£2,654,345	£2,654,345	0