Dear xxxx,

A684 Bedale, Aiskew and Leeming Bar ByPass

Following the receipt of your Best and Final Funding Bid dated 9th September 2011 for the above scheme, and following consideration of that bid, this letter confirms that Ministers have agreed in principle to provide North Yorkshire County Council with funding for the above scheme.

However we are not prepared to offer the level of funding requested in your Best and final Funding Bid.

In your scheme costs you added an uplift of 20% for optimism bias over and above the cost of risk generated by a Quantified Risk Assessment. When calculating the total cost of a scheme we do not include any such uplift for optimism bias and have not done so for any other scheme in the Development Pool. We therefore regard the cost of your scheme as £42.1m rather than £50.0m.

Your request for DfT funding of £43.7m was therefore greater than the capital cost of the scheme, and represented an increase of over £10m on the previously approved sum, in an exercise in which we were challenging authorities to reduce their funding requests. The bid, on that basis, is therefore not acceptable to the Department.

Aside from this aspect, however, we recognise that there is a strong business case for the scheme. We are therefore prepared to offer you DfT funding at a lower level. Your proposed local authority funding contribution is £6.2m. Deducting this from the total cost of £42.1m would require a DfT contribution of £35.9m and therefore that is the sum we are prepared to offer.

This represents the maximum funding available from DfT. North Yorkshire Council would be responsible for meeting all scheme costs beyond this contribution, including any cost increases. This is in line with the Department’s statement of 26 October 2010 on Local Authority Major Transport schemes, in which we made it clear that the ‘risk layer’ concept for the sharing of cost increases, which applied under previous guidance, had been discontinued. Should the outturn cost of the scheme fall below £42.1m then the DfT...
contribution would reduce proportionately. These arrangements apply to all the schemes approved from the Development Pool.

I should point out that this funding offer from DfT represents 85% of the capital cost of the scheme. Only four other schemes approved from the Development Pool have a DfT contribution of an equivalent or higher proportion. In addition this would be the only example from the Development Pool where the DfT funding contribution would be an increase from that requested prior to the Spending Review.

I should also make clear that this offer is valid solely in respect of the scheme as described in your Best and Final Funding Bid, including both the Eastern and Western sections of the ByPass. If you wished to save money by reducing the scope of the scheme, then we would need to discuss that with you and revise our funding offer accordingly.

Please let me know by 31 January 2012 whether North Yorkshire County Council is content to take the scheme forward with DfT funding at the level offered. This should include confirmation from your Section 151 Officer that North Yorkshire County Council accepts responsibility for meeting all scheme costs over and above the DfT contribution.

If you decide you wish to take the scheme forward on that basis then we will issue you with a formal letter confirming Programme Entry.

Yours sincerely,

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