

The Financial Case

1. This document should be read in conjunction with '*The Transport Business Case*', which is available on the Department's website (www.dft.gov.uk).

What is the financial case?

2. The financial case concentrates on the affordability of the proposal, its funding arrangements and technical accounting issues (value for money is scrutinised in the economic case). It presents the financial profile of the different options and the impact of the proposed deal on the Department's budgets and accounts.

What questions will be asked?

3. The financial case will contribute towards the overall business case presented for consideration by ministers. Prior to this more detailed evidence will be scrutinised by the relevant investment committee alongside the wider business case. The questions likely to be asked by an investment committee include:
 - How much does the project cost each year? Who is paying for it?
 - Are the various types of cost (admin, resource and capital) falling to the Department clearly identified? Do they have budget cover in each of the years in which they fall (i.e. are they affordable)?
 - How reliable and committed are third party funders to the project?
 - If funding for the project involves borrowing (e.g. from the government or wider market), how robust is the arrangement. Are there risks associated with servicing the repayment and interest?
 - What are the key financial risks? Have these been quantified? Is there a robust risk management strategy?
 - Has any sensitivity analysis been undertaken? What are the results?
 - Does the project depend on third party income streams – e.g. from fees or tolls? If so, how robust are the estimates/forecasts? Are any risk sharing arrangements contemplated?
 - What are the accounting implications (e.g. is it on/off the public sector balance sheet)?
 - Are there any state aid issues to address e.g. which may constrain or limit public sector support?
 - Is the funding compliant with '*Managing Public Money*' and other central government guidance? Is Treasury approval needed?

Business case process

4. The following elements make up the minimum requirement for the financial case. These should be easily identifiable in the business case in order to demonstrate that they have been covered.
5. The table below sets out how and when these minimum requirements should be **outlined** (initial findings), **completed** (a full assessment) and **updated** (past information is verified and new information incorporated) for each iteration of the business case. Blank/no colour indicates 'optional' where evidence should be provided if relevant.

Financial case		Strategic Outline	Outline	Full
Introduction	Outline the approach taken to assess affordability.	O	C	U
Costs	Provide details of: <ul style="list-style-type: none"> the expected whole life costs; when they will occur; breakdown and profile of costs by those parties on whom they fall; and any risk allowance that may be needed (in the event of things going wrong). 		C	U
Budgets/Funding cover	Provide analysis of the budget/funding cover for project. Set out if relevant, details of other funding sources (e.g. third party contributions, fees)	O	C	U
Accounting implications	Describe expected impact on organisation's balance sheet.			

Tools & Guidance

6. Sources of further guidance can be found on the Department's website (www.dft.gov.uk):
 - **Treasury's Green Book**
 - **WebTAG** – the Department's website for guidance on the conduct of transport studies.