

Business Case Assessment

Government expects an economic appraisal of a business case to be based on Green Book appraisal methods and take into account departmental specific guidance where appropriate e.g. DfT's WebTAG but where changes in land use is concerned, we would expect analysis consistent with the DCLG Appraisal Guide 2016. The DCLG Appraisal Guide states that interventions around the benefits of changes in land use should be measured using Land Value Uplift, rather than modelling based on jobs and GVA.

Project Name	Skills Capital Equipment Fund					
Reference						
State Aid (Has state aid compliance been demonstrated).	Compliant – State Aid assessment included within application form					
Brief description	The LEP funding will be used to create a £3.5m skills equipment fund (SEF) to allow local employers and training institutions to submit bids to secure funding to purchase state of the art equipment and fund minor adaptations to accommodate the equipment, to enable the delivery of high quality and high level training programmes to support the growth in Stoke-on-Trent and Staffordshire's priority economic sectors.					
Total Cost	£3.5m	SSLEP request	£1.76m	%	50%	
Net GVA/Land Value Uplift/BCR	Project value	LEP Funding & Public/Private Match	Economic Value per year	Economic Value per 15 years	Fiscal Value per year	Fiscal value per 15 years
	Skills Capital Equipment Fund	£3.5m	£2,566,252	£38,493,780	£538,580	£8,078,700
Outputs	Output			Number		
	Learners assisted in courses leading to full qualifications. The mix of learners will be determined through the application process			300		

Note – Net GVA gives the value of the additional services and good produced resulting from the project (allowing for leakage, displacement and multiplier effects). The assessment focuses on the benefit cost ratio which looks at the return for investment of the publically funded investment. A BCR for transport schemes is not directly comparable to a BCR for other schemes. The DCLG Appraisal Guide states that interventions around the benefits of changes in land use should be measured using Land Value Uplift, rather than modelling based on jobs and GVA.

Strategic Case	
<i>The strategic case sets out the rationale for the proposal. It makes the case for change at a strategic level. It should set out the background to the proposal and explain the objective that is to be achieved.</i>	
Does the proposal support the SEP or other relevant strategy or plan?	Y
Does the proposal clearly state which SEP objectives (or other relevant strategy or plan) are to be delivered? (State which)	Y Sector growth Skilled workforce

Is the project specifically named in the SEP or other key plan / strategy?	Sect 2.10 page 6 (May 2017 refresh)
Does the proposal clearly state what the objective(s) is/are in "SMART" terms? (Specific, Measurable (delivery / achievement can be objectively Monitored), Achievable, Relevant and Time constrained. If not then is the objective clearly set out so that its achievement can be monitored? <i>(If it cannot be monitored the proposal cannot be judged as good value for money).</i>	Y Application, assessment and monitoring process detailed within additional documentation supporting main business case
Outputs <i>Should be based on net figures and applicants should attach additionality calculations allowing for leakage, displacement and multiplier effects.</i>	
<ul style="list-style-type: none"> - Are the net benefits/outputs clear? - Is there an independent professional valuation of the land? - Is the basis of the additionality calculation clear and considered appropriate? (Are benchmarks used, what evidence is provided to support the identified outputs?) - Are there genuinely unquantifiable costs and benefits associated with a proposal? If so does the proposal clearly explain why quantification cannot reasonably be made? - Other there wider impacts e.g. environmental, sustainability, health and safety, competition, rural, business impact. 	<p>Acceptable - clear, additional and net</p> <p>"The project output is to assist an additional 300 learners in courses leading to full qualifications over the duration of the project. The additional learners will include Apprenticeships, Traineeships, and young people and adults undertaking college based courses. The mix of learners will be determined through the application process"</p> <p>The term full level qualifications is generally only associated with level 2 & 3 qualifications A full Level 2 achievement is equivalent to 5 or more GCSEs at grade A* to C.A full Level 3 achievement is equivalent to 2 or more A-levels</p> <p>Skills uplift programme, land value not applicable</p>
Are the main barriers/constraints and dependencies clear? Are they accurately reflected in the risk assessment?	Y Detailed within the risk analysis, page 6
Are the strategic risks clear?	Y <ol style="list-style-type: none"> 1. No skills equipment fund applications received as organisations were not aware of the fund. 2. No skills equipment fund applications received as organisations could not supply the private match 3. Successful applicants do not retain a suitable evidence audit trail against spend
Are there any dependencies on this project and what impacts could they have on the project?	Y Organisations must supply private match – without match no funding will be awarded Evidence audit trail must be maintained by organisation – unable to track benefits if evidence not available
Are there any lessons learned from previous experience in this area (across the SSLEP area and wider) and if so how are these being applied? What best practice is being applied?	Experience of previous calls taken into account and applied.
Has consultation taken place that supports the proposal?	n/a

Are there clear stakeholders that are supporting the project?	Y Skills Capital Board / Education Trust Partnership Group / SSLEP Executive Group
---	---

<p>Strategic Case Assessment Summary High: <i>Strong strategic fit / supports SEP/Key Strategies and accelerates job creation, business investment and site development.</i> - Schemes that are specifically mentioned in the SEP as strategically important and/or - Genuinely transformational outputs at a scale to make significant impact sectorally / spatially.</p> <p>Medium: <i>Good strategic fit. Project supports growth but lead to medium scale improvements/outputs.</i></p> <p>Low: <i>May have strong elements but overall case is weak e.g. unclear strategic fit, projects with strategic fit but leads to small scale improvements/outputs.</i></p>	
High – specifically mentioned in SEP; approved GD3 scheme as endorsed by the SSLEP Executive Group	
<p>The Economic Case <i>The economic case assesses the economic costs and benefits of the proposal to society as a whole, and spans the entire period covered by the proposal. Ensure that the benefits of the development have been calculated in accordance with Green Book and Departmental Guidance e.g. Land Value Uplift – DCLG Appraisal Guidance 2016, DfT WebTAG.</i></p>	
<p>Project Additionality / Cost Benefit Analysis</p> <ul style="list-style-type: none"> - Is the additionality and supporting documentation convincing? - Do outputs represent value for money, base on previous projects and known benchmarks as applicable? 	<p>Check additionality calculation for sense and errors (For VfM guidance see summary box below)</p> <p>A cost benefit analysis has been completed using the New Economy Manchester Cost Benefit Analysis tool, to determine the economic and fiscal value of the collective additional learner qualifications gained as an output of the £3.5m skills equipment fund.</p> <p>The project output is 300 learners assisted in courses leading to full qualifications</p>
<p>Options Analysis <i>Options analysis starts from a list of all reasonable alternatives including a <u>do nothing option</u> (the so called counter factual) or if doing nothing is not possible a do minimum option.</i></p>	
<ul style="list-style-type: none"> - Is it clear why the initial list of options has been reduced to the preferred option? - Are there any key variables which if changed would lead to a different preferred option to be selected (checking sensitivity)? 	<p>Y</p> <p>N</p>
<p>Is the rationale for choosing the preferred option clear? If the preferred option does not represent the best value for money of the options considered are the decisive factors that influenced the decision clear and justifiable?</p>	<p>Y</p> <p>Long term programme will maximise skills uplift</p>
<p>Risk Management</p> <ul style="list-style-type: none"> - Have all appropriate risks been considered? - Are the risk management arrangements credible, and 	<p>Y</p> <p>Limited risk analysis included within business case</p>

<p>are the risk management costs also built in? - Does the proposal identify the major risks that could impact on the economic case and contain appropriate mitigation?</p>	
<p>Optimism Bias <i>Optimism bias decreases as the project firms up, risk management becomes more detailed and costs are firmed then</i></p>	
<p>- Does the proposal contain an allowance for Optimism Bias? - Is the level of optimism bias included sensible in relation to the stage reached in preparing the business case? - Has this been calculated?</p>	<p>Dependent upon individual bids</p>
<p>Distributional Impacts - What % of project impacts are outside the SSLEP area and how has this figure been arrived at? - Does the project have different impacts on different sections of society/are there any re-distributional impacts?</p>	<p>Call is limited to SSLEP geographical area; potential that some apprentices will be employed in adjacent areas</p>

<p>Economic Case Assessment Summary <i>High: Strong case across the board. High additionality. Alternate options identified / considered and preferred option logically identified. Risk management robust. Optimism bias clearly accounted for. Distributional impacts clear/which impacts will fall outside area. Land value uplift calculated and identified. General – BCR 10% above comparator data Transport – BCR higher than 2</i></p> <p><i>Medium: Good strategic fit. Project supports growth but lead to medium scale improvements. General – BCR is within 10% of comparator data Transport – BCR higher than 1.5 - 2</i></p> <p><i>Low: Unclear strategic fit. Projects with strategic fit but lead to small scale improvements. General – BCR is below 10% of comparator data Transport – lower than 1.5</i></p>	
<p>Medium – very much dependent upon successful individual bids to take up offer</p>	

<p>The Commercial Case <i>The commercial case is concerned with issues of commercial feasibility and sets out to answer the question “can the proposed solution be effectively delivered through a workable commercial deal or deals?” Has Land value uplift been calculated and accounted for – who benefits from the uplift?</i></p>	
<p>Is the relationship with any private sector partners that will also deliver clear?</p>	<p>Y Applicants are required to complete detailed application form and prove 50% match.</p>
<p>Does the procurement methodology make sense for the project and accord with procurement regulations? i.e. EU procurement thresholds</p>	<p>Y</p>
<p>Is the procurement timetable clear (for some less advanced projects this will give indicative time frames</p>	<p>Y Programme runs 17/18; 18/19; 19/20</p>

as opposed to precise dates)?	
Are personnel / TUPE implications fully explained and addressed?	n/a
Are any in house costs clear and proportionate?	An additional management fee of up to 4% of the £1.76m LGF skills capital funds allocation (i.e. £70,400) is necessary to fund functions including: project management, finance review, property review and legal support. Broadly modelled on the resource used for project management, finance, property and legal for the AME hub projects
Who will own the assets after the project is completed?	Individual applicant
Does the risk assessment adequately consider and address any procurement risks?	Y

Commercial Case Assessment Summary

High: Strong case across the board. Procurement methodology is appropriate / robust with a full timescale. Asset ownership and management clear. Risk management effective. In house costs considered proportionate.

Medium: Overall the commercial case is well constructed and convincing. However, specific elements are not strong /require improvement.

Low: May have strong elements but overall case weak e.g. procurement methodology and timescale not clear, not clear on asset or risk management or in house costs considered disproportionate.

High – Application process – form and guidance notes; clear and comprehensive
Management fee (up to 10%) to be queried

The Financial Case

The financial case is concerned with issues of affordability, financial viability/sustainability and sources of budget funding. It covers the lifespan of the scheme and all attributable costs.

Are all the lifetime costs identified? i.e. anything obvious missing, any blank lines or provisional sums.	Y – limitation on minimum and maximum grant
Have all lifetime costs and issues of financial sustainability been fully considered	Y – to be detailed within application form
Has all the matched funding been secured or is there a funding gap?	Dependent upon individual applications
Is the strategy for securing the funding package reasonable and appropriate	Y – detailed application form and guidance
Does the level of cost proposed represent value for money based on known benchmarks? i.e. cost per square metre for new build	Y – open call mirrors previous successful bidding rounds
Has Land Value Uplift been calculated – has it been accounted for in the development appraisal – who gets the benefit – should SSLEP/Public Sector partners participate in uplift?	n/a – skills capital equipment programme

Is the level of contingency appropriate?	n/a
Will the project sponsor be seeking to recover VAT as part of the LEP funding?	Y - The LEP will reserve the right to recover funds in the event that project costs (including VAT savings) are less than originally approved, or have not been used for the agreed purposes
Does the proposal contain provision for dealing with the financing of any time or cost overruns?	Y – limited grant offer
Are there any particular cost elements that are particularly price sensitive and could impact on the project viability if there is a significant change? (Price sensitivity)	N
Contingent liabilities - Does the proposal explain and estimate any contingent liabilities that may result from the proposal? - Does the project sponsor adequately explain how these will be managed and any costs met?	N for contingent liabilities
Monitoring and Evaluation - is there financial provision for monitoring and evaluation	Management fee of up to 10% applied to all successful applications

Financial Case Assessment Summary

High: Strong case across the board. Costs basis strong (e.g. tenders / professionally estimated, full costs included including appropriate contingency), handling of liabilities clear, financial provision for monitoring and evaluation. Value for money against outputs clear. Lifetime costs assessed and financially viable.

Medium: Overall the case is well constructed and convincing. However, specific elements are not as strong /require improvement.

Low: May have strong elements but overall case weak e.g. procurement methodology and timescale not clear. Not clear on asset or risk management. In house costs considered disproportionate.

Medium – success is dependent upon individual successful applications

The Management Case

The management case is concerned with the deliverability of the proposal and is sometimes referred to as programme management or project management case. The management case must clearly set out management responsibilities, governance and reporting arrangements, if it does not then the business case is not yet complete. The Senior Responsible Owner should be identified.

Is there a delivery plan with clear & detailed milestones?	Y Three annual tranches for applications 17/18, 18/19, 19/20
Are the proposed programme management arrangements and methodology sound and effective? (Complex projects should be using PRINCE2	Y – tried and tested application, assessment and award process overseen by the skills capital board

methodology)	
Are risk management arrangements acceptable given the scale of the project? - Is there an effective risk register with mitigating actions? - Are there any risks which could have a disproportionate impact on the project?	Y
Has the project been given full clearance to proceed by the sponsoring organisation? (Who/ what board or committee?)	Y- Skills capital board
Evaluation - Are the evaluation proposals proportionate and acceptable? (Larger scale projects should be independently sourced) Do they accord with national LGF guidance issued by HMG?	Y

Management Case Assessment Summary

High: Strong case across the board. Delivery plan, management methodology and risk management robust and clear. Clear evidence that project can be delivered within proposed timescales. Evaluation appropriate and accords with national guidelines. Full approvals.

Medium: Overall the case is well constructed and convincing. However, specific elements are not as strong /require improvement.

Low: May have strong elements but overall case weak e.g. delivery plan lacks clear dates, risk management inadequate, project lacks internal approvals.

High – sound process in place, well documented and proven

Business Case Assessment Summary

Project Name	Skills Capital Equipment Fund
Reference	
Programme Management Team Assessment Summary	
<p>High: Strong case across the board. Delivery plan, management methodology and risk management robust and clear. Clear evidence that project can be delivered within proposed timescales. Evaluation appropriate and accords with national guidelines. Full approvals.</p> <p>Medium: Overall the case is well constructed and convincing. However, specific elements are not as strong /require improvement.</p>	

Low: May have strong elements but overall case weak e.g. delivery plan lacks clear dates, risk management inadequate, project lacks internal approvals.			
Strategic Case	High		
Economic	Medium		
Commercial	High		
Financial	Medium		
Management	High		
Recommendation	Recommend for approval		
Assessor	John Devlin / Dave Nicholls	Date:	14/06/17 11/07/17 (revision)
Verification	Dave Nicholls Presented at APMB Dave Nicholls	Date	22/06/17 27/06/17 11/07/17 (revision)

To Be Completed After APMB: Record of Decision	
Chair:	Peter Davenport
Date of Meeting:	27 th June 2017
Decision:	The CDGD Assurance Programme Board approved the business case subject to clarification of the programme outputs and administration charges, recommending that the Strategic Programme Board and LEP Executive release a capital grant award of £1.76m to the Skills Capital Equipment programme

To Be Completed After SPMB: Record of Decision	
Chair:	Richard Cotterell
Date of Meeting:	17 th July 2017
Decision:	The CDGD Strategic Programme Board deferred approval of the business case whilst a supplementary paper is prepared giving: <ul style="list-style-type: none"> 1. clarification on the methodology of tracking of programme outputs 2. reviewing leverage and administration charges 3. and recommending the 3 year spread is changed to a single grant It is recommended that the LEP Executive provisionally release a capital grant award of £1.76m to the Skills Capital Equipment programme

To Be Completed After SSLEP Executive Group: Record of Decision	
Chair:	David Frost
Date of Meeting:	12 th October 2017
Decision:	The Executive considered the recommendations in the Growth Deal 3 Business Case for Skills Capital Equipment Fund and agreed to the release of a capital grant award of £1.76m to the Equipment programme and authorised the CDGD Strategic Programme Management Board to be the approval board for all applications