

## 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.

<b>Project Name</b>	<b>Keele Science and Innovation Park Smart Innovation Hub</b>				
<b>Reference</b>					
<b>State Aid (Has state aid compliance been demonstrated).</b>	Yes – detailed within Sect 14.2 business case An independent state aid advice for the project has been produced by DWF Law LLP				
<b>Brief description</b>	The creation of a purpose-built BREEAM excellent smart innovation facility in Keele University's Science and Innovation Park, to provide (a) incubation and grow-on space for innovation-led SMEs; (b) a Hub for business-university interactions and open innovation and; (c) a home for Keele Management School				
<b>Total Cost</b>	£17.5m	<b>SSLEP request</b>	£1.0m	<b>%</b>	5.7%
<b>Net GVA/Land Value Uplift/BCR</b>	3:1	<b>BCR / RoI/LVU</b>		<b>Period (years)</b>	by 2033
<b>Outputs</b>	<b>Output</b>		<b>Number</b>		
	Additional jobs by 2021		80		
	Additional jobs by 2033		240		

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.

<b>Strategic Case</b> <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?	Yes
Does the proposal clearly state which SEP objectives (or other relevant strategy or plan) are to be delivered? (State which)	SIH is part of the overall New Keele Deal investment, the strategic context and investment to help “tackle low productivity and grow a positive culture of innovation and research within the region, delivering a significant number of higher value jobs for the next 20 years, .... and inject innovation into the heart of the local business community to allow them to be more globally competitive”

Is the project specifically named in the SEP or other key plan / strategy?	Yes - SEP Sect 2.10 page 5 (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>	The objectives are detailed in page 4 of business case, Monitoring & Evaluation section (page 69) details local and national monitoring requirements, and frequency.
<b>Outputs</b> <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"> <li>- Are the net benefits/outputs clear?</li> <li>- Is there an independent professional valuation of the land?</li> <li>- Is the basis of the additionality calculation clear and considered appropriate? (Are benchmarks used, what evidence is provided to support the identified outputs?)</li> <li>- Are there genuinely unquantifiable costs and benefits associated with a proposal? If so does the proposal clearly explain why quantification cannot reasonably be made?</li> <li>- Other there wider impacts e.g. environmental, sustainability, health and safety, competition, rural, business impact.</li> </ul>	<p>Acceptable - clear, additional and net</p> <p>Sect 5.14, page 11 onwards, details full cost benefit analysis, covering capital and revenue costs; benefits: tenant businesses, rent &amp; service charges, business support, collaborative R&amp;D projects; employment created</p> <p>The land has been valued at [REDACTED] per the independent land valuation report produced by Butters John Bee</p>
Are the main barriers/constraints and dependencies clear? Are they accurately reflected in the risk assessment?	<p>Yes</p> <p>Procurement risks management plan included as part of procurement strategy (Sect 7.1 page 31 onwards)</p> <p>Detailed risk management and assessment is included at Sect 13 pages 63 onwards</p>
Are the strategic risks clear?	<p>Yes</p> <p>Sect 13 pages 65 to 68, detail key risks:</p> <ul style="list-style-type: none"> <li>• Construction procurement process deemed non-compliant</li> <li>• Insufficient funding to commence construction</li> <li>• Facility fails to realise full potential</li> </ul>
Are there any dependencies on this project and what impacts could they have on the project?	<p>Dependencies are not tabulated within the business case</p> <p>Strategic drivers and SIH objectives and outputs detailed in Sect 5 page 3</p>
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?	Sect 13 Monitoring and evaluation refers to third party econometric evaluation to derive lessons for implementation
Has consultation taken place that supports the proposal?	<p>Yes</p> <p>Through the New Keele Deal Legal Analysis by Knights Solicitors</p>

<p>Are there clear stakeholders that are supporting the project?</p>	<p>Yes Through the New Keele Deal, Sect 6.39, page 29 refers: Stoke-on-Trent and Staffordshire Local Enterprise Partnership, Staffordshire County Council, Stoke on Trent City Council, The University Hospitals of the North Midlands and Newcastle Under Lyme Borough Council.</p>
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<p><b>Strategic Case Assessment Summary</b> <i>High: 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><i>Medium: Good strategic fit. Project supports growth but lead to medium scale improvements/outputs.</i></p> <p><i>Low: 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>
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High – strong strategic fit

<p><b>The Economic Case</b> <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>
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<p>Project Additionality / Cost Benefit Analysis - Is the additionality and supporting documentation convincing? - Do outputs represent value for money, base on previous projects and known benchmarks as applicable?</p>	<p>Check additionality calculation for sense and errors (For VfM guidance see summary box below)</p> <p>Gross Value Added Analysis detailed in Sect 5.34, page 14</p> <ul style="list-style-type: none"> <li>Applying the Stoke on Trent &amp; Staffordshire average GVA per FTE job (£54,800) we estimate that the overall likely scale of GVA impact by 2021 as a result of an additional 80 jobs created will be £4.4m p.a.</li> <li>By 2033 GVA = 3:1 approx.</li> </ul>
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<p><b>Options Analysis</b> <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>	
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<p>- 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>	<p>Yes</p> <p>Detailed analysis of all options included, identifying preferred option. Sect 5.6 page 5 onwards</p>
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<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>Yes</p> <p>Detailed analysis of all options included, identifying preferred option. Sect 5.6 page 5 onwards</p>
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<p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>- Have all appropriate risks been considered?</li> <li>- Are the risk management arrangements credible, and are the risk management costs also built in?</li> <li>- Does the proposal identify the major risks that could impact on the economic case and contain appropriate mitigation.</li> </ul>	<p>Yes</p> <p>Sect 13 pages 65 to 68, details key risks: strategic and construction risks</p>
<p><b>Optimism Bias</b> <i>Optimism bias decreases as the project firms up, risk management becomes more detailed and costs are firmed then</i></p>	
<ul style="list-style-type: none"> <li>- Does the proposal contain an allowance for Optimism Bias?</li> <li>- Is the level of optimism bias included sensible in relation to the stage reached in preparing the business case?</li> <li>- Has this been calculated?</li> </ul>	<p>Not included</p>
<p><b>Distributional Impacts</b></p> <ul style="list-style-type: none"> <li>- What % of project impacts are outside the SSLEP area and how has this figure been arrived at?</li> <li>- Does the project have different impacts on different sections of society/are there any re-distributional impacts?</li> </ul>	<p>Not specifically stated, dependent upon take up of the hub; business case considers the wider strategic context, Sect 6.52 onwards, page 27</p>

<p><b>Economic Case Assessment Summary</b></p> <p><b>High:</b> <i>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.</i></p> <p><i>General – BCR 10% above comparator data</i></p> <p><i>Transport – BCR higher than 2</i></p> <p><b>Medium:</b> <i>Good strategic fit. Project supports growth but lead to medium scale improvements.</i></p> <p><i>General – BCR is within 10% of comparator data</i></p> <p><i>Transport – BCR higher than 1.5 - 2</i></p> <p><b>Low:</b> <i>Unclear strategic fit. Projects with strategic fit but lead to small scale improvements.</i></p> <p><i>General – BCR is below 10% of comparator data</i></p> <p><i>Transport – lower than 1.5</i></p>	
<p>Medium – good strategic fit; forecast 80 additional jobs created by 2021, potential 240 by 2033</p>	

<p><b>The Commercial Case</b></p> <p><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>Yes</p> <p>Procurement strategy detailed Sect 7.1, page 31 onwards</p>
<p>Does the procurement methodology make sense for the project and accord with procurement regulations? i.e. EU procurement thresholds</p>	<p>Yes</p> <p>Land owned by Keele University</p>

Is the procurement timetable clear (for some less advanced projects this will give indicative time frames as opposed to precise dates)?	Yes Key milestones and Gantt table included, Sect 15 Delivery and Timetable page 72
Are personnel / TUPE implications fully explained and addressed?	N/A
Are any in house costs clear and proportionate?	Yes Detailed costings included. Sect 8 Financial Case, page 40 onwards
Who will own the assets after the project is completed?	Keele University
Does the risk assessment adequately consider and address any procurement risks?	Sect 13 pages 65 to 68, details key risks

<p><b>Commercial Case Assessment Summary</b>  <b>High:</b> 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.</p> <p><b>Medium:</b> Overall the commercial case is well constructed and convincing. However, specific elements are not strong /require improvement.</p> <p><b>Low:</b> 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.</p>	
High	
None or very little land value uplift attributable to the scheme – relatively small site within the confines of the University and Science and Innovation Park.	

<p><b>The Financial Case</b>  <i>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.</i></p>	
Are all the lifetime costs identified? i.e. anything obvious missing, any blank lines or provisional sums.	Details included. Sect 8 Financial Case, page 40 onwards.
Have all lifetime costs and issues of financial sustainability been fully considered	Details included. Sect 8 Financial Case, page 40 onwards.
Has all the matched funding been secured or is there a funding gap?	ERDF funding application to be determined late August 2017 - £6.73m
Is the strategy for securing the funding package reasonable and appropriate	Yes Funding sources: Keele University; SCC; LGF; ERDF
Does the level of cost proposed represent value for money based on known benchmarks? i.e. cost per square metre for new build	The project meets all benchmark requirements of the funding streams applied for; VfM analysis included in Sect 10, page 58
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?	None or very little land value uplift attributable to the scheme – relative small site within the confines of the University
Is the level of contingency appropriate?	Not tested

Will the project sponsor be seeking to recover VAT as part of the LEP funding?	"Irrecoverable VAT on inputs is included in the costs of such inputs in the income and expenditure account. Any irrecoverable VAT allocated to tangible fixed assets is included in their costs" Sect 8.33, page 51
Does the proposal contain provision for dealing with the financing of any time or cost overruns?	Projected inflationary rises of 3.1% per annum included in costings
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)	Sensitivity analyses included, Sect 8.26, page 46, considered as within tolerable limits into the University's ongoing operations
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?	Re: land valuation "Following the abolition of RDA's and in accordance with the RDA Assets and Liabilities Transition Plan the overage transferred to the Homes and Communities Agency (HCA). Accordingly [redacted] of the land value equating to [redacted] is included as a cost to the project" Sect 8.5, page 40
Monitoring and Evaluation - is there financial provision for monitoring and evaluation	SSLEP team monitoring and evaluation costs assigned to the scheme, will be included within the funding agreement

#### 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.

High

Funding sources clearly identified, Keele University and SCC contributions secured  
The main works contract of £12.6m is the estimated works value from SDA Consulting LLP the OJEU procured quantity surveyors for the project working in conjunction with the wider project design team.

#### 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?	Yes Delivery and Timetable detailed, Sect 15, page 72
Are the proposed programme management arrangements and methodology sound and effective? (Complex projects should be using PRINCE2 methodology)	Yes Established Keele University project team

<p>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?</p>	<p>Yes Business case includes key strategic and construction risks. University project team will manage full risk register</p>
<p>Has the project been given full clearance to proceed by the sponsoring organisation? (Who/ what board or committee?)</p>	<p>Yes Approved by Keele University Project Executive Group</p>
<p>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?</p>	<p>Yes</p>

<p><b>Management Case Assessment Summary</b> <i><b>High:</b> 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.</i></p> <p><i><b>Medium:</b> Overall the case is well constructed and convincing. However, specific elements are not as strong /require improvement.</i></p> <p><i><b>Low:</b> May have strong elements but overall case weak e.g. delivery plan lacks clear dates, risk management inadequate, project lacks internal approvals.</i></p>
<p>High</p>

**Business Case Assessment Summary**

<b>Project Name</b>	<b>Keele Science and Innovation Park Smart Innovation Hub</b>		
<b>Reference</b>			
<b>Programme Management Team Assessment Summary</b>			
<p><b>High:</b> 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><b>Medium:</b> Overall the case is well constructed and convincing. However, specific elements are not as strong /require improvement.</p> <p><b>Low:</b> May have strong elements but overall case weak e.g. delivery plan lacks clear dates, risk management inadequate, project lacks internal approvals.</p>			
Strategic Case	High		
Economic	Medium		
Commercial	High		
Financial	High		
Management	High		
Recommendation	Recommend for approval		
Assessor	Dave Nicholls	Date	22/06/17
Verification	Presented at APMB	Date	27/06/17

<b>To Be Completed After APMB: Record of Decision</b>	
Chair:	Peter Davenport
Date of Meeting:	27 <sup>th</sup> June 2017
Decision:	The CDGD Assurance Programme Board approved the business case, recommending that the Strategic Programme Board and LEP Executive release a capital grant award of £1.00m to the Keele Science and Innovation Park Smart Innovation Hub programme

<b>To Be Completed After SPMB: Record of Decision</b>	
Chair:	Richard Cotterell
Date of Meeting:	17 <sup>th</sup> July 2017
Decision:	The CDGD Strategic Programme Board approved the business case, recommending that the LEP Executive release a capital grant award of £1.00m to the Keele Science and Innovation Park Smart Innovation Hub programme

<b>To Be Completed After SSLEP Executive Group: Record of Decision</b>	
Chair:	David Frost
Date of Meeting:	14 <sup>th</sup> September 2017
Decision:	The Executive Group agreed the business case for the allocation of £1M to the Keele Science Park Smart Innovation Hub