


Independent Technical Evaluator – Business Case Assessment – Q4 2022/23



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1 Independent Technical Evaluation of Getting Building Fund Schemes

Overview

- 1.1 Steer was reappointed as the South East Local Enterprise Partnership's Independent Technical Evaluator in April 2022. It is a requirement of Central Government that every Local Enterprise Partnership subjects its business cases and investment decisions to independent scrutiny.
- 1.2 Recommendations will be made for funding approval by the Accountability Board in line with the South East Local Enterprise Partnership's own governance.

Method

- 1.3 The review provides commentary on the business cases submitted by scheme promoters, and feedback on the strength of business case, the value for money likely to be delivered by the scheme (as set out in the business case) and the certainty of securing that value for money.
- 1.4 Our role as Independent Technical Evaluator is not to purely assess adherence to guidance, nor to make 'go' / 'no go' decisions on funding, but to provide evidence to the South East Local Enterprise Partnership Board to make such decisions based on expert, independent and transparent advice. Approval will, in part, depend on the appetite of the Board to approve funding for schemes where value for money is not assessed as being high (i.e. where a benefit to cost ratio is below two to one and / or where information and / or analysis is incomplete).
- 1.5 The assessments are based on adherence of scheme business cases to Her Majesty's Treasury's *Green Book: Central Government Guidance on Appraisal and Evaluation*¹, and related departmental guidance such as the Department for Transport's TAG (Transport Analysis Guidance, formerly WebTAG) or the DLUHC Appraisal Guide. All of these provide proportionate methodologies for scheme appraisal (i.e. business case development).
- 1.6 Pro forma have been developed based on the criteria of *The Green Book*, a 'checklist for appraisal assessment from Her Majesty's Treasury, DfT's TAG, DLUHC's Appraisal Guide, and other departmental guidance.

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

- 1.7 Individual criteria are assessed and given a ‘RAG’ (Red – Amber – Green) rating, with a summary rating for each dimension. The consistent and common understanding of the ratings are as follows:
- **Green:** approach or assumption(s) in line with guidance and practice or the impact of any departures is sufficiently insignificant to the Value for Money category assessment.
 - **Amber:** approach or assumption(s) out of line with guidance and practice, with limited significance to the Value for Money category assessment but should be amended in future submissions (e.g. at Final Approval stage).
 - **Red:** approach or assumption(s) out of line with guidance and practice, with material or unknown significance to the Value for Money category assessment, requires amendment or further evidence in support before gateway can be passed.
- 1.8 The five dimensions of a government business case are:
- **Strategic Dimension:** demonstration of strategic fit to national, Local Enterprise Partnership and local policy, predicated upon a robust and evidence-based case for change, with a clear definition of outcomes and objectives.
 - **Economic Dimension:** demonstration that the scheme optimises public value to the UK economy as a whole, through a consideration of options, subject to cost-benefit analysis quantifying in monetary terms as many of the costs and benefits as possible of short-listed options against a counterfactual, and a preferred option subject to sensitivity testing and consideration of risk analysis, including optimism bias.
 - **Commercial Dimension:** demonstration of how the preferred option will result in a viable procurement and well-structured deal, including contractual terms and risk transfer.
 - **Financial Dimension:** demonstration of how the preferred option will be fundable and affordable in both capital and revenue terms, and how the deal will impact on the balance sheet, income and expenditure account, and pricing of the public sector organisation. Any requirement for external funding, including from a local authority, must be supported by clear evidence of support for the scheme together with any funding gaps.
 - **Management Dimension:** demonstration that the preferred option is capable of being delivered successfully in accordance with recognised best practice and contains strong project and programme management methodologies – this includes the need for a Monitoring and Evaluation Plan and Benefits Realisation Plan.
- 1.9 In addition to a rating across each of the five dimensions, comments are provided against Central Government guidance on assurance – **reasonableness** of the analysis, risk of error (or **robustness** of the analysis), and **uncertainty**. Proportionality is applied across all three areas.
- 1.10 Assessments are conducted by a team of transport and economic planning professionals, and feedback and support are given to scheme promoters throughout the process via workshops, meetings, telephone calls and emails.

Change Requests

- 1.11 The SELEP Assurance Framework states that any variations to a project's costs, scope, outcomes or outputs from the information specified in the Business Case must be reported to the Accountability Board. When the changes are expected to have a substantial impact on forecast project benefits, outputs and outcomes as agreed in the business case which may detrimentally impact on the Value for Money assessment, it is expected that the business case should be re-evaluated by the ITE.
- 1.12 While a simplified approach was taken to assessing the updated project costs in the value for money calculations, this was done with the understanding that a more comprehensive approach would have also found continued "High" value for money unless otherwise assessed.
- High value for money, High certainty**
- 1.13 The following scheme is estimated to represent **High value for money** with a **High certainty** of achieving this level of value for money.
- Seven Sisters Country Park Visitor Infrastructure Uplift*
- 1.14 South Downs National Park Authority has made a change request regarding an increase in the construction costs of their improved visitor offer. Overall, the Getting Building Fund ask is set to change from £200,000 to £284,100 (i.e., by £84,100).
- 1.15 The scope of the scheme is to refresh the visitor offer at the Seven Sisters Country Park, including new toilets, new retail space and the refurbishment of 3 properties, including on-site accommodation for the site warden. The scheme aims to improve accessibility for visitors and increase the overall visitor attractiveness of the park.
- 1.16 Cost increases have been described and disaggregated in detail. They have occurred due to the exogenous impacts of Brexit, Covid-19 and inflation which have affected construction costs. The scheme promoter has also faced unforeseen construction challenges, and the additional funding ask is to cover the shortfall of £84,100 attributable to inflation in contractors' costs and prices. The overall scheme overspend is significantly higher than this, at £475,000; however, the remainder has been met from internal contingencies within existing secured funding budgets.
- 1.17 Without additional funding, there will be a need to 'de-scope' the remainder of the scheme by value engineering elements of the project, resulting in a reduction of outputs and outcomes. For example, the 3 properties being refurbished, and the intended farm shop, will likely not be fitted out fully and fewer retail units will be ready and available to local businesses. Other outputs and outcomes, such as spend per head at the park, footfall and subsequently employment opportunities, would also likely decrease due to the de-scoping.
- 1.18 The only barrier to project delivery was an anticipated push back in the completion date to December 2022, which should now be dealt with. Additional GBF monies can be spent by 31 March 2023 and detailed mitigation is in place for all remaining risks. Most risks have been closed as the majority of project delivery is complete.
- 1.19 As the scheme's GBF funding ask was originally and continues to be under £2 million, value for money exemption 1 (from conducting a monetised economic appraisal) has been applied appropriately by the scheme promoter. The additional funding may enable the scheme promoter to add 131 sqm of high footfall retail space, bringing the total from 72 to 233. Aside from this, there will be no additional benefits other than those initially set out in the business case.

- 1.20 The reasons for requesting additional monies are clear and appear to be reasonable. The strategic case for the scheme is highly robust in that it delivers across several areas:
- Improving the visitor offer of a natural asset in the region
 - Leading to direct job creation (6.5 FTE jobs) and safeguarding existing jobs (7.8 FTE jobs)
 - Enabling learning for approximately 2,000 people per year through events and other opportunities using the new facilities
 - Supporting up to around 100 local businesses and enterprises by offering a new retail space
 - Reducing carbon emissions by putting in a heat pump (and electric boilers) to meet on-site needs
- 1.21 Based on this, our assessment is that there is a **High** certainty of achieving a benefit cost ratio of at least 2 to 1, which would represent **High** value for money. The increase in costs is relatively high but from a low initial base, while benefits remain unchanged and, in our assessment, qualitatively greater than the overall level of cost. It would be difficult for the scheme promoter to quantify these benefits in a monetised economic appraisal owing to their level of business case experience, ability to resource expertise, the limited amount of time available and the difficulty of monetising a variety of different benefit streams.

High value for money, High/Medium certainty

- 1.23 The following scheme is estimated to represent **High value for money** with a **High to Medium certainty** of achieving this level of value for money.

Tindal Square, Chelmsford

- 1.24 Chelmsford City Council has made a change request regarding a material increase in the costs of the Tindal Square, Chelmsford scheme. Overall, the Getting Building Fund ask is set to change from £750,000 to £1,200,000 (i.e., by £450,000).
- 1.25 The scope of the scheme remains the creation of a new public square in Chelmsford of over 3,000 sqm, intended to serve as a space for events and general pedestrian and cyclist use. This is being achieved by relaying all existing surfacing, improving street furniture and planting trees. In addition, a more accessible entrance to Shire Hall is being put in place. A key cycle route will run through the space, which will now be closed to motor traffic. Works are underway and are expected to be completed in January 2023.
- 1.26 As the scheme's funding ask was and continues to be under £2 million, value for money exemption 1 (from conducting a monetised economic appraisal) has been applied appropriately by the scheme promoter. However, the scheme promoter has identified numerous benefits, including enabling the separate redevelopment of the Shire Hall, which has been vacant since 2012, and supporting the post-Covid recovery of footfall in the city centre. Based on this they estimate a benefit cost ratio or 'multiplier' of 3 to 1.
- 1.27 Cost increases have been described and disaggregated in detail. They have occurred due to the exogenous impacts of Brexit, Covid-19 and inflation. These factors have affected the cost and availability of materials and other needs of the scheme promoter, and without additional funding there will be a need to 'de-scope' the remainder of the scheme. There are no other acute barriers to delivery as mitigation is in place for remaining risks.
- 1.28 The reasons for requesting additional monies are clear and appear to be reasonable. Despite the new ask remaining under £2 million, this is a high value and potentially transformative scheme. Based on this, our advice is that if the scheme experienced any further significant cost escalations or delays it would be a challenge to continue to certify it as meeting the requirements of the value for money exemption.
- 1.29 The strategic case for the scheme is as before and exhibits very strong alignment with local, regional and national policy priorities. Public realm improvements are notoriously difficult to appraise in monetary terms and there are often a number of qualitative benefits attached to them. Though the scheme promoter has estimated a benefit cost ratio of 3 to 1, our assessment is that there is a **High to Medium** certainty of achieving a ratio of at least 2 to 1, which would represent **High** value for money.

High value for money, Medium/Low certainty

- 1.30 The following scheme is estimated to represent **High value for money** with a **Medium to Low certainty** of achieving this level of value for money.

Tendring Bikes and Cycle Infrastructure

- 1.31 Essex County Council has made a change request regarding an increase in supply chain costs of the bike scheme. Overall, the Getting Building Fund ask is set to change from £2,300,000 to £2,600,200 (i.e., by £300,200).
- 1.32 The scope of the scheme remains the same regarding delivery of the Clacton to Jaywick Sands cycle route. Procurement of bikes was initially expected for up to 1,620 bikes. Due to

increased supply chain costs (i.e. owing to Covid-19, Brexit) only 1,300 have been procured and additional funding is being sought to increase the number of bikes by 422 to total 1,722. This is intended to tackle inequality by improving access to jobs and opportunities. Delivery is currently underway for the cycle infrastructure and 1,300 bikes have been procured.

- 1.33 The 422 bikes are broken down as follows:
- 362 standard bikes, with unit cost of £600 for total cost of £217,200
 - 10 adapted bikes, with unit cost of £2,300 for total cost of £23,000
 - 50 e-bikes, with unit cost of £1,200 for total cost of £60,000
- 1.34 The scheme promoter has asked for this additional funding to increase bike availability in the community, including e-bikes and adapted bikes as per applicants' requests. E-bikes would allow people to travel longer distances and adapted bikes would allow people with disabilities to ride more safely and improve accessibility. Both would increase access to jobs and opportunities for those users.
- 1.35 Without additional funding, there will be no further bikes. There are no remaining barriers to project delivery if additional funding is awarded and monies can be spent by 31 March 2023. Mitigation is in place for the main remaining risks. There may be an opportunity to leverage further Sport England match funding to offer motivation and social support to applicants if additional GBF funding is provided.
- 1.36 The scheme promoter has identified that the majority of scheme benefits come from the already enhanced infrastructure, which enables higher numbers of cycle trips, therefore the additional funding may not markedly increase benefits relative to costs.
- 1.37 The strategic case for the scheme is clear and reasonable in terms of opening up new jobs and opportunities in deprived areas by promoting active travel solutions. Though the scheme promoter has estimated a benefit cost ratio of 2.12 to 1 initially, our assessment is that there is a **Medium to Low** certainty of achieving a ratio of at least 2 to 1, which would represent **High** value for money, if the additional funding is granted.
- 1.38 However, there may be an overriding strategic case for providing funding for adapted bikes, which are more accessible to people with disabilities. This would amount to £23,000 as per the breakdown in the additional funding application, which would be unlikely to bring the scheme BCR below 2 to 1. This would ensure the scheme is inclusive of people with disabilities.

Getting Building Fund

- 1.39 One business case has been assessed for schemes seeking a Getting Building Fund allocation. Below are our recommendations to the Accountability Board, including key findings from the evaluation process and details of any issues arising.
- 1.40 With the scheme not yet at full business case stage, there remains some residual risk to value for money and deliverability until all contractor costs are confirmed.

Very High value for money, High/Medium certainty

- 1.41 The following scheme is estimated to represent **Very High value for money** with a **High to Medium certainty** of achieving this level of value for money.

TechFort at The Citadel Phase 2 (£0.85m)

- 1.42 The scheme comprises the refurbishment of Casemates 53 and 54 at 'TechFort' in The Citadel, Dover. A previous business case for GBF funding was approved in 2022 for Casemates 51 and 52. The funding being requested now would allow 2 further buildings to be brought back into economic use hosting a workspace and a retail/hospitality venue. The work will support subsequent planned phases, including a provision for apprenticeships and other education.

- 1.43 The strategic case exhibits strong alignment with SELEP’s strategic priorities. The scheme aims to supplement private investment in a dilapidated heritage asset and turn it into a visitor attraction that can stimulate the local economy as a whole, supporting economic recovery. This is consistent with wording in the Dover District Local Plan advocating the site to be brought back into use. It is identified within the business case that the scheme will open up 5 acres of the site to the public. It will also lead to direct job creation. To improve strategic alignment further, more could have been done in the business case to demonstrate how the scheme will be consistent with other important policy goals, such as reducing carbon emissions and ensuring accessibility.
- 1.44 Although value for money exemption 1 (from conducting a monetised economic appraisal) could have been applied appropriately by the scheme promoter, with the GBF ask being under £2m, a monetised economic appraisal was nevertheless conducted. The employment, arts and wellbeing and heritage benefits of redeveloping Casemates 53 and 54 were assessed and a benefit cost ratio of 5.85 was calculated representing **Very High value for money**. Even in a sensitivity test assuming 50% reduction in employment and the number of visitors, the scheme remained at High value for money. It is our assessment that the appraisal was carried out appropriately and in a robust manner.
- 1.45 A qualitative justification for the scheme is also provided in terms of evaluating benefits. Key outputs/outcomes are as follows:
- 19 FTE jobs created (plus 4 trainees);
 - 757m² of commercial and events space made available; and
 - 3,000 visitors per annum to the site.
- 1.46 Moderate uncertainties are still present in the business case, including there being limited information in the Commercial Case for the scheme, including who the lead contractor is, their experience and why they were selected, and details around the contracting strategy (e.g. what the risk allocation is). Although much of this may be similar to Phase 1, it needs to be provided for Phase 2 as well.
- 1.47 The scheme promoter is confident that the vast majority of GBF funds can be spent by 31 March 2023, but this remains a residual risk unless a solution can be agreed with government. Consideration of inflation in the non-capital funding profile is needed. More information around stakeholder engagement and clearer presentation of who the tenants at the site will be would also improve the business case.
- 1.48 This has prevented the scheme from being recommended as having higher than **High to Medium certainty** despite a reasonably strong strategic rationale, robust monetised economic appraisal, and experience of successfully delivering of similar schemes (i.e. Phase 1).

Table 1.1: Gate 1 & 2 Assessment of Getting Building Fund Business Case(s) for Q4 2022/23

Scheme	SELEP Allocation	Benefit to Cost Ratio ('x' to 1)	Strategic Dimension Rating	Economic Dimension Rating	Commercial Dimension Rating	Financial Dimension Rating	Management Dimension Rating	Assurance of Value for Money		
								Reasonableness of Analysis	Robustness of Analysis	Level of Overall Uncertainty
TechFort at The Citadel Phase 2	£0.85m	5.85 to 1	Green	Green	Amber	Amber / Green	Amber / Green	Strategic Case for the scheme is strong, with a clear need for intervention explained and a wide range of potential benefits outlined. Commercial Case describes a fairly straightforward and reasonable approach to procurement but is missing several pieces of information about the lead contractor and why they were selected. Management Case is mostly reasonable, though it is noted that the project governance and stakeholder engagement sections are slightly lacking in detail.	Economic Case is strong, with a clearly defined approach to each benefit stream the assumptions behind the appraisal readily available. Calculations spreadsheets were also provided in Annex F. Although the scheme promoter cites their successful delivery of similar schemes, there is insufficient information about how risk will be allocated between the scheme promoter, the lead contractor and other parties, decreasing the robustness of contingency and affordability estimates for the scheme.	As outlined opposite, overall uncertainty is moderate (to low). A key issue is that the Commercial Case is not explained fully. The full set of issues are expounded upon in detail within the Gate 2 review.

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