

Independent Technical  
Evaluator – Growth Deal  
Business Case  
Assessment (Q3  
2015/16 Starting  
Projects)

Gate 2 Report  
November 2015

South East Local Enterprise  
Partnership

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# 1 Independent Technical Evaluation of Q3 2015/16 starting Growth Deal Schemes

## Overview

- 1.1 Steer Davies Gleave and SQW were appointed by the South East Local Enterprise Partnership in February 2015 as Independent Technical Evaluators. It is a requirement of Central Government that every Local Enterprise Partnership subjects its business cases and decision on investment to independent scrutiny.
- 1.2 This report is for the second gateway review ('Gate 2') of Full Business Cases for schemes which were allocated funding through the Growth Deal process in July 2014 and are seeking funding in the second quarter (Q3) of 2015/16, and recommendations are made for funding approval by 13<sup>th</sup> November 2015 by the Accountability Board and the Section 151 Officer at Essex County Council as Accountable Body, in line with the South East Local Enterprise Partnership's own governance.

## Method

- 1.3 The Gate 2 review provide comment on the Full Business Cases submitted by scheme promoters, and to comment on the strength of business case and the value for money being provided by the scheme, as set out in the business case.
- 1.4 Our role as Independent Technical Evaluator is not to purely assess adherence to guidance, nor to make a 'go' / 'no go' decisions on funding, but to provide information to the South East Local Enterprise Partnership Board to make such decisions, based on independent, technical expert, clear, 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 assessment is based on adherence of scheme business cases to Her Majesty's Treasury's *The Green Book: Appraisal and Evaluation in Central Government*<sup>1</sup>, and related departmental guidance such as the Department for Transport's WebTAG (Web-based Transport Analysis Guidance) or the Homes and Communities Agency's *The Additionality Guide*. Both The Green Book, WebTAG and The Additionality Guide 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, and WebTAG. Assessment criteria were removed or substituted if not relevant for a non-transport scheme.
- 1.7 Individual criteria were assessed and the given a 'RAG' (Red – Amber – Green) rating, with a summary rating for each case. 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.

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<sup>1</sup> Source: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

1.8 The five cases of a government business case are, typically:

- **Strategic Case:** 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 Case:** demonstration that the scheme optimises public value to the UK 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 Case:** demonstration of how the preferred option will result in a viable procurement and well-structured deal, including contractual terms and risk transfer.
- **Financial Case:** 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 Case:** 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.

1.9 In addition to a rating for each of the five cases, comments have been 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 were conducted by a team of transport planning professionals, and feedback and support has been given to scheme promoters throughout the process through workshops, meetings, telephone calls and emails during the final three weeks of October.

## 2 Evaluation Results

### Gate 2 Results

- 2.1 Table 1.1 below provides the results of our independent and technical evaluation of each scheme seeking funding approval on 13<sup>th</sup> November 2015 by the South East Local Enterprise Partnership Accountability Board. It includes both our interim assessment ('Gate 1 Assessment') of each Outline Business Case and the subsequent final assessment of the Full Business Case ('Gate 2 Assessment'). More detailed feedback has been issued to each scheme promoter and the secretariat of the South East Local Enterprise Partnership using a standard transport and non-transport assessment pro forma.

### Summary Findings and Considerations for the Board

- 2.2 The following list contains recommendations to the Accountability Board, including key findings from the evaluation process and any issues arising.

#### Business Case Development

- 2.3 The **strategic case** continues to be well made, but we would ask scheme promoters to give greater consideration of alternative options and a stronger rationale for dismissing certain options related to the objectives of the scheme.
- 2.4 For the majority of schemes, some form of recognised and proportionate **economic appraisal** has taken place, typically supported by consultants. For non-transport schemes or schemes being brought forward by non-local government partners, scheme promoters have found this a greater challenge, and initial discussions with scheme promoters who are at the early stages of this process demonstrates significant knowledge gaps which could jeopardize successful scheme development and delivery.
- 2.5 The **management case** is often lacking a full benefits realisation plan and more consideration should be given to monitoring and evaluation plans.

#### Recommendations

- 2.6 **RECOMMENDATION 1:** Approve the following schemes for funding achieving high value for money and medium to high certainty of achieving this:
- A28 Sturry Road Integrated Transport Package (£2.0m)
  - Maidstone Sustainable Access to Employment (£2.0m)
  - Eastbourne and South Wealden Walking and Cycling Package (specific components only – £2.0m)
  - Kent & Medway Growth Hub (£6.0m)
  - North Bexhill Access Road (£7.6m)
- 2.7 **RECOMMENDATION 2:** Following approval at the last Accountability Board to fund the Sittingbourne Town Centre project (£2.5m) within contingent conditions to be met to the satisfaction of the Independent Technical Evaluator and Local Enterprise Partnership, acknowledge that these conditions have been met and funding has been approved subject to the Accountable Body's approval.
- 2.8 **RECOMMENDATION 3:** Following approval in principal at the last Accountability Board to fund and bring forward delivery of a non-transport component of the Southend Central Area Action Plan, approve in full funding for this component (£0.72m) and for delivery in 2015/16 instead of 2016/17.

Table 2.1: Gate 1 Assessment of Growth Deal Schemes seeking Approval for Funding for Q2/Q3 2015/16

Scheme Name	Local Growth Fund Allocation (£m)	Benefit to Cost Ratio ('x' to 1)	Strategic Case Summary	Economic Case Summary	Commercial Case Summary	Financial Case Summary	Management Case Summary	Assurance of Value for Money		
								Reasonableness of Analysis	Robustness of Analysis	Uncertainty
A28 Sturry Road Integrated Transport Package	2.0	GATE 1: 2.04	Green/ Amber	Amber	Amber	Amber	Amber	A reasonable business case, but lacking transparency of appraisal modelling.	Stakeholder engagement strategy is required.	Confirmation of funding is required.
		GATE 2: 2.04	Green	Green	Amber	Green	Green/ Amber	Reasonable and proportionate method followed.	Robust analysis performed.	The analysis gives a good degree of certainty, but some minor residual issues within the Management Case.
Maidstone Sustainable Access to Employment	2.0	GATE 1: 2.12	Green/ Amber	Amber	Green/ Amber	Green/ Amber	Green/ Amber	Reasonable methodology with a need for a more extensive strategic case.	Robust analysis with a few improvements required in the management case	A few inaccuracies within the economic case.
		GATE 2: 2.12	Green/ Amber	Green	Green/ Amber	Green	Green/ Amber	Reasonable and proportionate methodology has been carried out.	Robust analysis with a few improvements required in the management case	The analysis gives a good degree of certainty.
Eastbourne and South Wealden Walking and Cycling Package	2.0 (specific component only)	GATE 1: 2.68	Amber	Green / Amber	Green	Green / Amber	Amber	Reasonable and proportionate method followed though.	There is some confusion over the economic case	There is uncertainty over the derivation of the user benefits
		GATE 2: 2.65	Amber	Green / Amber	Green	Green / Amber	Amber	A reasonable business case, with a transparent appraisal modelling.	Accurate methodology carried out.	Clarification of the economic case was provided. The analysis is reliable.
Kent & Medway Growth Hub	5.0	GATE 1: N/A	Green / Amber	Green	Green	Green	Green	Reasonable and proportionate method followed though.	Robust analysis performed.	The analysis gives a good degree of certainty.



Scheme Name	Local Growth Fund Allocation (£m)	Benefit to Cost Ratio ('x' to 1)	Strategic Case Summary	Economic Case Summary	Commercial Case Summary	Financial Case Summary	Management Case Summary	Assurance of Value for Money		
								Reasonableness of Analysis	Robustness of Analysis	Uncertainty
		GATE 2: 12.5 (central) 1.67 (pessimistic)	Green	Green	Green	Green	Green	Reasonable and proportionate method followed though.	Robust analysis performed.	The analysis gives a good degree of certainty.
North Bexhill Access Road	7.6	GATE 1: 1.84	Amber	Amber / Red	Amber	Red	Amber	Generally reasonable but more clarity is required in the economic case.	There are inaccuracies in the economic and financial cases.	Good analysis, but BCR is too low for funding to be recommended.
		GATE 2: 2.34	Green	Green / Amber	Green / Amber	Green	Green / Amber	Reasonable and proportionate analysis has been carried out.	Robust analysis, although improvements required in the economic case.	Reliable analysis has been carried out and new BCR reflects high category value for money.
Sittingbourne Town Centre	2.5	GATE 1: 5.04	Amber	Amber	Amber	Amber	Amber	Generally reasonable but more clarity is required in the strategic case.	Significant improvements required in commercial and management cases.	Uncertainty about project governance.
		GATE 2: 5.16	Green / Amber	Amber	Amber	Amber	Green	A sensible and proportionate methodology has been applied.	Robust analysis although improvements required in the strategic and management case.	Reliable analysis has been carried out.
Southend Central Area Action Plan – Non-Transport Package	0.7 (2015/16 only)	GATE 1: N/A	Green / Amber	Red	Red	Red	Green / Amber	There is no methodology for assessing benefits.	Quantitative analysis is required to make a robust case.	There is a lack of clarity about benefits of the scheme.
		GATE 2: 10.8 (No Multiplier) 14.9 (Multiplier)	Green	Green	Green	Green	Green / Amber	Reasonable and proportionate analysis has been carried out.	Robust analysis has been carried out to support the case.	There is adequate certainty about the value for money and strategic need for this scheme.

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