

Independent Technical
Evaluator – Growth Deal
Business Case Assessment
(Late Q1 2016/17 for Q2
2016/17 starting schemes)

Extraordinary Accountability Board
Report
Late June 2016

South East Local Enterprise
Partnership

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Our ref: 22790505

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1 Independent Technical Evaluation of Q2 2016/17 starting Growth Deal Schemes

Overview

- 1.1 Steer Davies Gleave and SQW were reappointed by the South East Local Enterprise Partnership in April 2016 as Independent Technical Evaluators. It is a requirement of Central Government that every Local Enterprise Partnership subjects its business cases and decisions on investment to independent scrutiny.
- 1.2 This report is for the review of Full Business Cases for schemes which were allocated funding through the Growth Deal process during 2014/15 and are seeking funding in the second quarter (Q2) of 2016/17. Recommendations are made for funding approval on 24th June 2016 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 review provides comment on the Full Business Cases submitted by scheme promoters, with a focus on the strength of the business case, the value for money being provided by the scheme, as set out in the business case and the certainty of value for money assessment provided.
- 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 information to the South East Local Enterprise Partnership Board to make such decisions based on independent, technically expert, 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.
- 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*¹, 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*. 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.

¹ Source: 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 analytical 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 and economic planning professionals, and feedback and support has been given to scheme promoters throughout the process through workshops, meetings, telephone calls and emails in April/May/June 2016.

2 Evaluation Results

Gate 2 Results

- 2.1 Table 2.1 below provides the results of our independent and technical evaluation of the scheme seeking funding approval on 24th June 2016 by the South East Local Enterprise Partnership Accountability Board. It includes both our interim assessment ('Gate 1 Assessment') of the Outline Business Case and the subsequent final assessment of the Full Business Case ('Gate 2 Assessment'). More detailed feedback has been issued to the scheme promoter and the secretariat of the South East Local Enterprise Partnership using a standard transport assessment pro forma.

Summary Findings and Considerations for the Board

- 2.2 There is only one recommendation to be made to the board.

Recommendations

- 2.3 The following scheme achieves high value for money, but with low certainty of achieving this. Our recommendation is that with confirmation from Network Rail that they approved the scheme and that their approval and any further necessary involvement would not cause an increase in costs, the scheme should be funded. Without these being provided, our advice is that the scheme presents too high a risk and that the approval of the scheme be deferred until such time that such assurances can be provided.
- Sturry Link Road (£5.9m)

Table 2.1: Gate 1 & 2 Assessment of Growth Deal Schemes seeking Approval for Funding for Q2 2016/17

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
Sturry Link Road	5.9	Gate 1: 2.3	Amber	Amber	Green	Red	Green	Reasonable methodology has been employed	The assumptions framing the economic case need to be stated to improve the robustness of the analysis.	There are inaccuracies and inconsistencies within the financial case which need to be corrected to provide greater certainty. There is also an issue around the deliverability given the interaction with the railway and the river.
		Gate 2: 2.3	Green	Green	Green	Amber	Amber	Reasonable methodology has been employed	Economic case has been updated and accurate methodology has been employed.	Clarification of the financial case was provided. There is still some uncertainty around the involvement of Network Rail and the level of engagement and consultation so far undertaken.

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