

Independent Technical  
Evaluator – Growth Deal and  
Growing Places Fund  
Business Case Assessment  
(Q4 2017/18)

Accountability Board Report  
March 2018

South East Local Enterprise  
Partnership

Our ref: 22790506  
Client ref: F1523058





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# 1 Independent Technical Evaluation of Q4 2017/18 Growth Deal Schemes

## Overview

- 1.1 Steer Davies Gleave were reappointed by the South East Local Enterprise Partnership in April 2016 as Independent Technical Evaluator. 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 final Business Cases for schemes which are seeking funding through Local Growth Fund Rounds 1 to 3. Recommendations are made for funding approval on 16<sup>th</sup> March 2018 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 a '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 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 DCLG 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, 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:

- **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 and economic planning professionals, and feedback and support has been given to scheme promoters throughout the process through workshops, meetings, telephone calls and emails during February 2018.

## Evaluation Results

### Gate 2 Results

- 1.11 Table 1.1 below provides the results of our independent technical evaluation of each scheme seeking funding approval on 16<sup>th</sup> March 2018 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 revised business cases updated in light of our initial feedback ('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 non-transport assessment pro forma.

### Summary Findings and Considerations for the Board

- 1.12 The following list contains our findings regarding value for money and uncertainty for the Accountability Board to take into consideration when considering the release of funding to these schemes, including key findings from the evaluation process and any issues arising.

#### *Recommendations*

- 1.13 The following scheme achieves high value for money with high certainty of achieving this:

**Strood Civic Centre Flood Mitigation Works (£3.5m):** These flood mitigation works will enable a feasible, flood resilient, mixed-use regeneration site to be delivered. The business case analysis provides a proportionate assessment of the scheme costs and benefits and which resulted in a strong benefit cost ratio (of 3.4 to 1) representing high value for money. The analysis was robustly carried out and provides high levels of certainty around this VfM categorisation.

Table 1.1: Gate 1 &amp; 2 Assessment of Growth Deal Schemes seeking Approval for Funding for Q2 2017/18

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
Strood Civic Centre Flood Mitigation Works	3.5	Gate 1: 2.1	Amber	Red	Green	Amber	Amber	More detail is required as to how the outputs are calculated in order to assess the reasonableness of the analysis.	There is clarification required around the assumptions underpinning the appraisal.	There is significant uncertainty regarding the value for money of the scheme due to the lack of explanation around the level of additionality applied.
		Gate 2: 2.2	Green	Red	Green	Green	Green	The methodology behind the calculation of outputs over the life of the scheme has been more clearly defined. Additional analysis should be provided to ensure that the impact of the scheme is being assessed in its entirety.	As above	As above. Additionally, QRA and market price adjustment have not been applied to the scheme costs which increases the uncertainty around value for money.
		Gate 2 Update: 3.4	Green	Green	Green	Green	Green	A full and comprehensive methodology has been followed which is both reasonable and proportionate.	A greater articulation of assumptions underpinning the appraisal has been provided as well as the justification for the use of these assumptions. This now constitutes a robust analytical exercise.	Additional quantitative and qualitative economic benefits analysis has been carried out and the necessary scheme cost uplifts have been applied.





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