

Independent Technical  
Evaluator – Growth Deal and  
Growing Places Fund  
Business Case Assessment  
(Q3 2017/18)

Accountability Board Report  
December 2017

South East Local Enterprise  
Partnership

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 15<sup>th</sup> December 2017 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 October and November 2017.

## 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 15<sup>th</sup> December 2017 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 schemes achieve high value for money with medium/high certainty of achieving this:
- **Braintree STEM Innovation Campus (£2.5m):** The scheme aims to deliver a 1,432 sqm, three storey technologically enhanced facility on College owned land on the Church Lane campus site, adjacent to the STEM Innovation Centre. The analysis provides a proportionate assessment of the scheme costs and benefits which resulted in a strong benefit cost ratio representing high value for money. As with the Colchester Centre for Health and Care, with a BCR just above 2 (2.2:1), the value for money categorisation will be sensitive to any net downside risks. As a consequence, we invite the Accountability Board to consider this risk before determining whether or not to approve funding for the scheme.
- 1.14 The following schemes achieve high value for money with medium certainty of achieving this:
- **Colchester Centre for Health and Care (£2.5m):** This scheme will result in a 2,000 sqm Health and Care teaching facility covering three areas: clinical, care and wellbeing. The business case analysis has been carried out in a robust and reasonable manner with the economic case demonstrating that the scheme will provide high value for money. While there is nothing to suggest that the balance of risk points in either direction, we note that the BCR for the scheme is 2.0:1, and therefore the value for money categorisation will be very sensitive to any net downside risks. As a consequence, we invite the Accountability Board to consider this risk before determining whether or not to approve funding for the scheme.

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
Colchester Centre for Health and Care	2.5	Gate 1: Not derived	Amber	Red/Amber	Green/Amber	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.	BCR has not been calculated restricting our ability to assess value for money.
		Gate 2: 1.8	Green	Red/Amber	Green	Green	Green/Amber	The methodology behind the calculation of outputs over the life of the scheme has been more clearly defined	Clarification has been provided of the appraisal assumptions. This now represents a robust analytical exercise.	The BCR remains below 2:1 which reduces the certainty that high value for money can be achieved.
		Gate 2 Update: 2.0	Green	Green	Green	Green	Green	As above	As above	Additional quantitative and qualitative economic benefits analysis has been carried out and the revised BCR is above 2:1.
Braintree STEM Innovation Campus	2.5	Gate 1: Not derived	Green/Amber	Red/Amber	Green/Amber	Green/Amber	Amber	Currently reasonableness of analysis cannot be assessed. Additional detail is required as to how the outputs have been calculated.	More information is required to describe and justify the assumptions which underpin the appraisal	BCR has not been calculated restricting our ability to assess value for money
		Gate 2: 1.6	Green	Red/Amber	Green	Green	Green/Amber	Additional information has been provided to clarify the the methodology behind the calculation of outputs. This represents a proportionate analytical exercise.	The additional information has been provided to give assurance that a robust analytical process has been followed.	The key uncertainty remains the value for money of the scheme. Economic appraisal has been carried out, but the BCR is below 2:1
		Gate 2 Update: 2.2	Green	Green	Green	Green	Green	As above	As above	Additional economic benefits analysis has been to demonstrate a BCR is above 2:1.



## 2 Independent Technical Evaluation of Q4 2017/18 Growing Places Fund Schemes

### Overview

- 2.1 As part of its Independent Technical Evaluator role Steer Davies Gleave has assessed business cases for schemes seeking a Growing Places Fund loan allocation from SELEP.
- 2.2 SELEP proposed an approach to prioritisation and award of the GPF loan funding. This approach was discussed and agreed upon at the June 2017 Strategic Board.
- 2.3 Schemes being assessed at this stage have already passed through the preliminary qualification phases, namely:
- Phase 1: Sifting of Expressions of Interest (EOI), and
  - Phase 2: Prioritisation of Strategic Outline Business Case (SOBC)
- 2.4 The prioritisation of GPF projects was considered via electronic procedure, by the SELEP Strategic Board during November 2017. Scheme promoters then developed Outline Business Cases (OBC) for independent technical evaluation and subsequent consideration by the Accountability Board. The first two schemes, the assessment of which is reported below, are to be considered at the December 2017 Accountability Board Meeting.

### Assessment Methodology

- 2.5 Steer Davies Gleave carried out an assessment of each OBC. The approach applied is outlined in Table 2.1 below. Each of the criteria was assessed on a three-point scale, and each was given a high, medium or low weighting. This determines the impact that performance against that criteria has upon the overall scheme assessment.

**Table 2.1: Assessment Approach**

Criterion	Importance
Strategic Fit and Need for Intervention	High
Infrastructure Requirements	Low
Viability	High
Deliverability	High
Expected Benefits	High
Value for Money	High
Contribution to revolving fund	High
Risks	Medium
State Aid	Medium

- 2.6 Further details regarding the assessment methodology are available within the Growing Places Fund paper circulated to Strategic Board during November 2017.

### Evaluation Results

#### Summary Findings and Considerations for the Board

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

## *Recommendations*

2.8 The following schemes achieve high value for money with high certainty of achieving this:

- **South Essex College Centre for Advanced Automotive and Process Engineering (£2.00m):** This scheme involves the development of a new Centre of Excellence for Advanced Automotive and Process Engineering (CAAPE) through the acquisition and fit out of over 8,000sqm on an industrial estate in Leigh on Sea. With significant private sector support and alignment with local and national strategic priorities the South Essex College proposal has a compelling strategic case. A robust analytical exercise has taken place to assess the costs and benefits of the scheme. This has shown that the scheme delivers high value for money on the loan investment. Deliverability is strong with planning permission in place. Additionally, a repayment schedule has been proposed which ensures that the scheme will contribute to the continuation of the revolving fund.
- **Eastbourne Fisherman's Quayside and infrastructure development project (£1.15m):** The proposed project will allow the creation of a processing, ice and storage facility to enable the Eastbourne fishing fleet to become compliant with landing obligation and Common Fisheries Policy (CFP), via cold storage capacity. There is a clear strategic rationale for the scheme and the schedule and procedure for payback of the loan demonstrates that contribution to a revolving fund is secure. The quantifiable benefits of the scheme (jobs and increased revenue) support a good economic case for the scheme and the wider impact of ensuring the survival of the fishing industry in a deprived local area strengthen the value for money case. Proportionate and sensible economic appraisal modelling has been carried out. This has demonstrated that the scheme represents high value for money.

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