

# Stage 2 – Business Case Template

*Business Case template (optional) to be used by Towns as guidance for structuring their business cases*

**Version 4: 19 August 2021**

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# VERSION CONTROL

Document version	Publication date	Description of changes	Modified by
1	8 <sup>th</sup> March 2021	First release of the <i>Stage 2 – Business Case Template</i>	TFDP
2	25 <sup>th</sup> March 2021	Updates to the Strategic Case, Financial and Commercial Cases to provide additional context and guidance for these cases	TFDP
3	24 <sup>th</sup> June 2021	Updates to the Economic Case with the new example summary table, as well as confirmation of the price year of economic costs and benefits (2021 prices).	TFDP
4	19 <sup>th</sup> August 2021	Updated with the revised Annex C – Summary Document template	TFDP

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# FOREWORD FROM TFDP

## Writing a business case

A business case is a document that captures the rationale for investing in a project, how it fits into the overall strategic context of the town's development, as well as the benefits it will deliver. The business case also captures how the project will be financed, procured, and managed.

This means that the development of a business case should not be considered a hurdle to be overcome, or simply a 'box to tick'. It is a key document that allows you to make good decisions by structuring and capturing your thinking for a project, ensuring all stakeholders understand and are aligned on the why, what, and how of the project. It can help you to quantify the opportunity, prioritise your activities and capture key assumptions and risks.

A business case should be something you refer back to as you progress through project development and into project delivery – it shouldn't just be something that is produced to gain approval and then forgotten about.

Importantly, the production of a business case should not be an activity to be 'feared'. You may have experience of having read some very long, complex business cases in the past but that does not mean that all Business Cases have to be soulless and dull! A business case must tell a story – and, ultimately, demonstrate that your ideas will enable you to meet your goals.

Think of your business case as a tool to make good decisions - the process of developing and writing the business case helps to clarify the next level of detail of your thinking, and as Eisenhower said: plans are nothing, planning is everything.

## Using this Business Case Template

We have developed this template to help towns have a sound structure for developing their business cases in line with government guidance and best practice. You should adapt it to your needs and specific cases, and we have attached a 'Proportionality Guide' that helps you consider the level of detail required for business cases of different values or levels of complexity.

### There are two important things to note:

1. **This Template is optional.** It should be useful as a guide and prompt in preparing your business cases, but it is not a requirement of MHCLG or TFDP.
2. **Towns are not required to submit their business cases to MHCLG unless it states so in their Heads of Terms agreement.** Business cases are signed off locally, and should be prepared in line with local requirements and assurance processes. You should engage early with your representative from your accountable body (e.g., your S151 officer) to confirm what these requirements and processes are.

# BUSINESS CASE TEMPLATE GUIDE

## Purpose of this Guide

- Developed by the TFDP to support Towns in producing Business Cases which cover a common standard of requirements to align with HM Treasury's Five Case business case model.
- Neither exhaustive nor comprehensive, but it provides a common roadmap of the main components that should be addressed
- Should be used alongside HM Treasury's Green Book Guidance and other key Government guidance documents, including:
  - Business case project guidance
  - MHCLG guidance
  - DfT Transport appraisal guidance (where relevant)

## How to use this guide (what it is and what it is not)

- **Usage of this guide is optional.** Towns may choose to use it to support their business case development. Given that assurance and sign off processes are locally-defined, Towns should agree whether this template is appropriate for their business cases with their local assurance and sign off stakeholders.
- The **Proportionality Guide** appended to this Template should help you determine the level of detail required for each business case.
- This template has been prepared for individual projects, in line with the MHCLG Stage 2 guidance. However, if a project consists of a package of smaller interventions, these can be grouped into one business case, as long as a strong strategic case is put forward demonstrating how the separate interventions link together to deliver a coherent vision. The value for money assessment must cover the project as a whole, but each intervention must be costed in the Financial Case. Please get in contact with your TFDP business case specialist if you have questions about adapting this template for a programme business case. You can identify your local business case support specialist through your Town Coordinator.
- Towns should use their best judgement regarding emphasis and levels of detail for each section, which should vary depending on the case and type of project. Note that the level of detail should be proportional to the size of the project.
- Towns should adapt tables or formatting however they see fit; this is in no way a style or formatting guide.
- Questions regarding the use of this template or its contents should be directed to your local business case representative.

# BUSINESS CASE TEMPLATE

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# EXECUTIVE SUMMARY

**[introduction (background to Towns Fund) + description of the project + summary of business case]**

## **STRATEGIC CASE**

[summary of the case for change]

[summary of the national, regional, and local policy drivers]

[summary of the project vision and SMART objectives]

[summary of the proposed project outcomes, outputs, and interdependencies]

[summary of stakeholder views]

## **ECONOMIC CASE**

[options /scenarios considered in appraisal]

[summary of economic benefits considered, both local and national]

[summary of economic costs, including optimism bias]

[value for money assessment, with key results. A table could be included with key results]

[consideration of place-based impacts]

[discussion of sensitivity tests]

## **FINANCIAL CASE**

[summary of costs]

[summary of revenues]

[summary of how the project will be funded]

[financial risks and mitigation plans]

## **COMMERCIAL CASE**

[commercial feasibility of projects]

[contractual issues and high-level approach]

[procurement strategy and key risks, including risk transfer strategy and mitigation plans]

## **MANAGEMENT CASE**

[governance arrangements, including key roles and responsibilities]

[programme and timeline for delivering the project included]

[approach to project management outlined, demonstrating capability for delivering the project]

[key stakeholders identified, and stakeholder engagement strategy presented]

[key risks identified]

[project interdependencies identified]

[quick summary of benefits realisation plan and monitoring and evaluation strategy developed]

# INTRODUCTION

**[short introduction]**

**[INTRODUCTION]**

[background to Towns Fund and Stage 2 process]

[who is the scheme promoter and accountable body for the project]

**[The Project]**

[summary of the scheme]

**[This Business Case]**

[structure and content]

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# STRATEGIC CASE

## PRACTICE NOTES

The Strategic Case sets out the rationale for proposed investment.

A lot of the information relevant for the Strategic Case will have been set out in the TIP, including:

- Evidence of need
- Key policy context
- Overall vision and objectives
- Option for investment and how it was identified
- How option will help achieve objectives

The information from the TIP relevant to this project should feed into the Strategic Case, focusing on the aspects unique to the project.

Note that specific project objectives will need to be identified in this business case (in addition to the TIP vision and objectives).

This case should state the key stakeholder groups and particular business partners and how they've influenced, shaped, and supported project scopes.

The Strategic Case should clearly demonstrate a golden thread of evidence of need → vision and objectives → proposed investment → outcomes and impacts.

# STRATEGIC CASE

## INTRODUCTION

The strategic case sets out the justification and rationale for making an intervention. This justification is based on the need to address specific challenges and issues that are prevalent within the area in which the intervention is proposed, and how the potential benefits resulting from the intervention address these challenges.

## CASE FOR CHANGE

This section provides the rationale for public investment. Outlined below are the current challenges, evidence of need, future opportunities and market failures present in Redditch Town Centre. This provided the information required to support the case for investment.

### Current context and challenges

In 1964, Redditch was designated by British planners as a New Town. Following its development as a New Town there has been a lack of significant regeneration activity in the town centre. The Town currently faces a number of challenges, such as, ageing assets, poor enterprise environment, and youth population retention. For Redditch to advance and fully benefit from future opportunities, the town needs to tackle the obstacles holding it back from achieving its long-term vision.

A number of challenge pertinent to the DMIC proposal are set out below.

#### • Enterprise deficit

- Redditch has an enterprise deficit. Business births in the Borough are relatively low compared to the national average, and much lower than the region<sup>1</sup>. Low business births lead to a low number of active businesses in the Borough per head of population.

#### • Retention of young population

- Redditch has a lower educational attainment compared to English averages<sup>2</sup>. The lower educational attainment of Redditch is reflected in the occupational structure with a lower proportion in high skilled occupations and higher proportion in low skilled compared to England.
- Low educational attainment and the lower proportion of jobs in high skill occupations has resulted in Redditch struggling to retain its youth. Recent stakeholder engagement found that over half (55%) of younger residents (16-24 years) responded that, as things stand, they cannot achieve their goals or ambitions in Redditch<sup>3</sup>.

#### • Ageing assets

- Since Redditch's designation as a New Town, there has been a lack of significant regeneration of the town's built assets, resulting in a town centre which feels dated and unwelcoming. Indeed, Redditch's public estate is of a generally low design quality and visual appeal, the current Police Station being an example.
- Figure 1 shows the current police station, which is to be demolished prior to the construction of the proposed Innovation Centre on the same site.

Figure 1: Redditch Police Station



<sup>1</sup> Business demography, UK, ONS and Mid-year population estimates, 2019, ONS

<sup>2</sup> Redditch has a lower NVQ4+ educational attainment compared to English averages. 27.8% of the working age population in Redditch have a degree level or higher qualification, this is 12 percentage points below the national average.

<sup>3</sup> Redditch Towns Deal Community Consultation, Social Marketing Gateway, November 2020

- **UK productivity**

- XXXX

### Evidence of need

Information gathered during the development of Redditch's Town Investment Plan highlighted a particular need for business space and digital skills provision. The evidence of need is discussed below.

- **Demand for business space**

- An issue identified in Redditch is a lack of new space for businesses (particularly office space) which hinders organic growth and may deter start-ups or hinder growth. Analysis by GJS Dillon<sup>4</sup> found that availability of office space is falling, creating a struggle for owner occupiers who face competition from the investment market to buy properties which increases sales prices, meaning Redditch needs to address the availability of good quality space.
  - This is corroborated by Aspinall Verdi analysis<sup>5</sup> which found limited significant investment in new office development for some time with most office stock dating from the 1960s-1980s. Aspinall Verdi assessed that in most of Redditch, rental values achieved are not high enough to viably deliver new-build office development without public sector involvement.

- **Digital skills provision**

- As across the UK there is an increasing need for digital skills, with employers demanding an ever-increasing level of digital fluency in order to deliver their products and services<sup>6</sup>. Threats are likely to arise, as current skill sets become obsolete or competitor locations gain digital advantages more quickly than Redditch if action is not swiftly taken. This is a particular concern in Redditch as manufacturing has experienced a decline in productivity from 2016-2018 in Redditch.
  - Skills-4-Worcestershire<sup>7</sup> identify both Advanced Manufacturing and ICT as local growth sectors with increasing demand for skilled labour<sup>8</sup>. Bolstering skills provision and attainment will help to ensure all residents can access higher-value opportunities available locally and enable employers to access the skilled labour they need to increase productivity and compete globally
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### Opportunities

The project will create opportunities with respect to:

- **Retaining youth population**

- Supporting educational attainment and investment in high productivity sectors while delivering more advanced technical skills needed by employers could help Redditch employees to be more productive in their jobs. This would enable residents to command higher wages helping them to achieve their career goals and attracting more inward investment to the town. It would also provide a wider range of high skilled jobs, which are likely to be attractive to younger residents.

- **Create a focal point for innovation**

- There is currently no focal point for enterprise, collaboration, and innovation in the town. Basepoint in neighbouring Bromsgrove for example provides managed office spaces to meet

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<sup>4</sup> Worcestershire Commercial Property, Market Report 2020, GJS Dillon

<sup>5</sup> Draft Report: Property Market Report, Redditch Town Investment Plan, Aspinall Verdi, December 2020

<sup>6</sup> No Longer Optional: Employer Demand for Digital Skills, June 2019, Department for Digital, Culture, Media and Sport No Longer Optional: Employer Demand for Digital Skills (publishing.service.gov.uk)

<sup>7</sup> A joint initiative by Worcestershire LEP and Worcestershire County Council

<sup>8</sup> Worcestershire's Employment Market - Careers Portal (skills4worcestershire.co.uk)

needs of local start-ups and small to medium sized businesses<sup>9</sup>. Redditch has no similar offer in the town centre<sup>10</sup> meaning that start ups have to use general office space. The provision of a dedicated start up space promotes synergies between companies with a similar ethos and has been shown to improve start up survival rates<sup>11</sup>.

- Support could also help foster a stronger enterprise culture across the town and should encourage more of the town's talented young residents to stay in the local area to build their careers within high technology industries.

- **Improve connectivity**

- Super and Ultrafast broadband access in Redditch is better than the national average. For example, Ultrafast broadband (300 Mbit/s) is provided to 81% of premises in Redditch compared to 56% across the UK<sup>12</sup>.
- Redditch is however currently behind in terms of full fibre (1% premises have access compared to 14% nationally) and does not have access to have 5G coverage. Enhancing the 5G network would enable the manufacturing sector to take advantage of technology which requires instantaneous network response<sup>13</sup>.

- **Increased employability**

- Upskilling local residents and supporting technological innovation and adoption will help make Redditch advanced manufacturing more cutting-edge. Having the space, facilities and links to skilled workers will be crucial in the transition to higher value employment and ensuring the local community benefits from economic growth.

- **Improving productivity and competitiveness**

- Redditch showed strong productivity performance since 2011. Building on this through adoption of digital technologies would generate higher levels of productivity.
- The Centre will enable local SMEs to become more competitive by harnessing the benefits of digitisation and automation without excessive risk and cost of implementing systems designed for large companies. Almost all 421 Redditch manufacturing are SMEs (<250 employees).
- Improving productivity and competitiveness will also secure the future of employment in manufacturing. The manufacturing sector is important as it is the second largest employer in Redditch accounting for over 1/5<sup>th</sup> of all employees, see Figure 2.

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<sup>9</sup> Bromsgrove Basepoint Business Centres

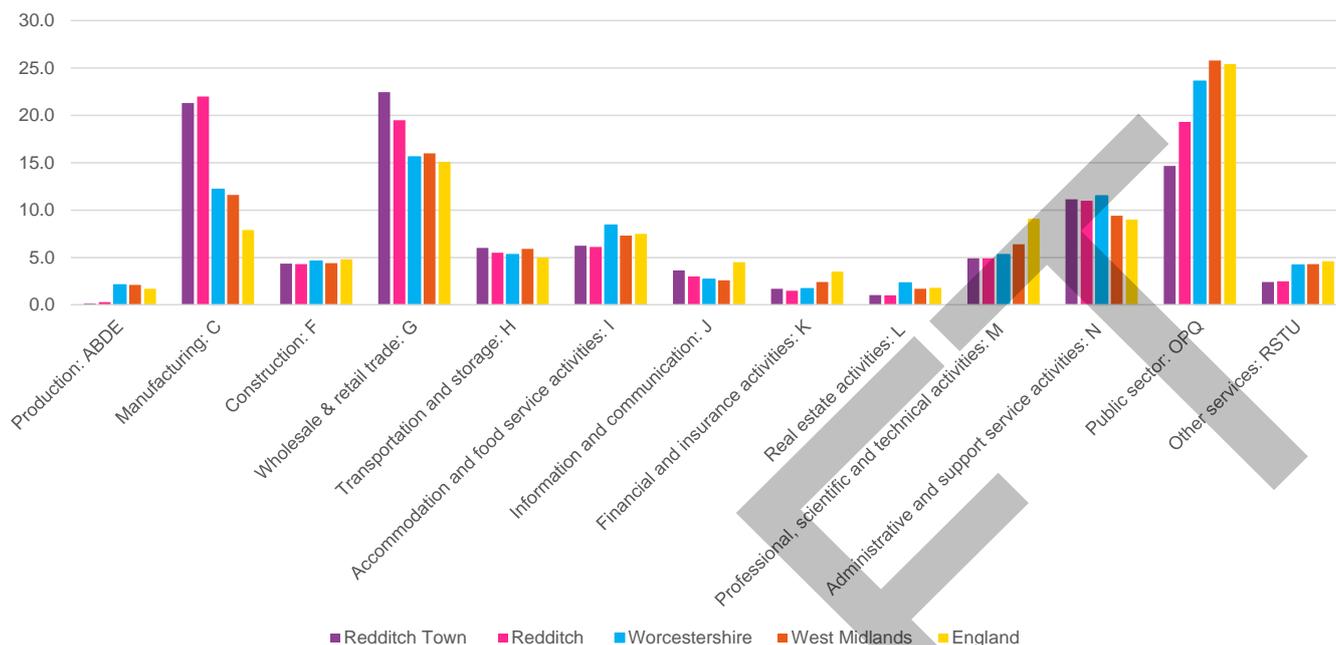
<sup>10</sup> There are two business centres located at out of town locations (Greenlands Business Centre and Heming Road Enterprise Centre) Office space - redditchbc.gov.uk

<sup>11</sup> Oxford Innovation: Business Survival and Growth [OI-Business-Survival-and-Growth-Report.pdf \(oxin-centres.co.uk\)](#)

<sup>12</sup> Connected Nations Update; Summer 2020, Ofcom 2020

<sup>13</sup>

**Figure 2: Employees by broad sector, as % of total, 2019**



Source: BRES, ONS, 2019.

### Market failures

The DMIC project suffers from a number of market failures which provide the rationale for public sector intervention. The relevant market failures are outlined below.

- **Positive externalities of education**

Education provides greater public benefit than the private benefit to the individual being educated. This is due to social benefits of education such as new ideas, better health and less poverty. Individuals do not internalize these benefits and as such they underconsume education. The Government steps in to ensure sufficient education provision. There is an increasing need for digital skills across the UK. Therefore to ensure the full benefits of education in high technology and digital skills are experienced, the public sector needs to support appropriate provision.

- **Positive externalities of research**

DN – Need to discuss the impact of R&D in one company on other companies outputs – spillover impacts. Tend to underinvest in R&D.

- **Coordination failures**

Redditch does not have an established business district. There is a high development cost of establishing collaboration spaces and attracting high value employers into such spaces. This high level of risk means that private sector providers will not fully fund such centres, especially in new areas or cities which do not have a strong background in R&D. This leads to centres not being set up and a consequent failure to co-ordinate R&D activities and gain the synergies that bringing firms together can achieve. The public sector can support innovation by reducing the risk involved in setting up such a centre and ensuring that the focus of the centre remains on support new innovation.

The current challenges in Redditch and need for business space and digital skills, along with the opportunity to create a focal point for innovation and improve employability and competitiveness of Redditch provide the rationale for investment in a DMIC. The investment is to be sourced from the public sector due to the market failures listed above.

### POLICY ALIGNMENT

Investment into digital skills, infrastructure and innovation space aligns itself with, and supports the fulfilment of, a number of policies, strategies and plans at a local, regional and national level. The proposal is aimed at investing in state of the art co-working and innovation spaces for SMEs in order to foster innovation and digital technology expertise within organisations and individuals in Redditch. This should lead to a greater number of company births, and expectedly a greater level of resilience and productivity within these new businesses.

In the immediate term, digital manufacturing and innovation investment will help Redditch to **build back better** after the economic and social issues caused by Covid-19. The UK Government has stressed the importance of innovation to the national economy in the Build Back Better initiative, stating innovation to be a ‘key driver of economic growth and improvement to living standards’<sup>14</sup>. The publication also states that the UK Government is ‘taking steps to help UK businesses significantly improve their adoption of digital technologies’. This project provides an opportunity for the government to support this commitment, providing funding for the development of a digital manufacturing and innovation centre in the heart of Redditch, which should improve the success of SMEs in the area.

In the medium-term, funding for innovation and digital manufacturing will support the intentions of the ‘**Levelling-Up**’ white paper put forward by Government in 2022<sup>15</sup>. The Levelling Up White Paper lists the improvement of innovation as one of the key drivers for growth across the country as a whole, supporting the rebalancing of geographical inequality that has been an issue in the UK for so long. The White Paper also notes the government’s intentions for the West Midlands to be one of the three new Innovation Accelerators in the UK, which will together receive approximately £100m of investment in the coming years. As Redditch resides within the West Midlands, investment in innovation in Redditch is aligned to the intentions of the Levelling Up White Paper.

**Table 1: DMIC Policy alignment**

Policy document details	Description of policy document	Alignment with Digital Manufacturing and Innovation
<b>National Policy</b>		
Building Back Better: Our plan for growth, HM Treasury, 2021 <sup>16</sup>	This plan is a publication setting out the government’s plans to support economic growth through significant investment in infrastructure, skills and innovation.	<ul style="list-style-type: none"> <li>• The Build Back Better initiative lists innovation as a key driver of both economic growth and improvement to living standards</li> <li>• UK Government actively encourages the adoption of digital technologies in businesses within the Build Back Better document.</li> </ul>
Levelling Up: White paper (2022) <sup>17</sup>	This executive summary of the Levelling Up White Paper outlines the strategy and framework for rebalancing geographical inequality in the UK.	<ul style="list-style-type: none"> <li>• The Levelling Up White Paper states innovation as key to rebalancing the UK economy, allowing all areas of the UK to prosper</li> <li>• The White Paper also lists the West Midlands as an Innovation Accelerator for the future, in which Redditch resides</li> </ul>
<b>Regional Policy</b>		
Strategic Economic Plan, Worcestershire LEP, 2014 <sup>18</sup>	The Strategic Economic Plan highlights the challenges and opportunities in the regional economy, details the plan of investment needed to reach	<ul style="list-style-type: none"> <li>• World class innovation is one of the key themes of Worcestershire’s SEP.</li> <li>• The following action areas are listed as core themes to support world class innovation:               <ul style="list-style-type: none"> <li>○ Improving access to finance and providing relevant, timely business support</li> </ul> </li> </ul>

<sup>14</sup> HM Treasury (2021) Build Back Better: Our plan for growth

<sup>15</sup> HM Government (2022) Levelling Up the United Kingdom: Executive Summary

<sup>16</sup> HM Treasury (2021) Build Back Better: our plan for growth, Available at: [Build Back Better: our plan for growth \(HTML\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/97222/build-back-better-our-plan-for-growth.html)

<sup>17</sup> HM Government (2021) Levelling Up the United Kingdom: Executive Summary, Available at: [Levelling Up the United Kingdom: Executive Summary \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/97222/levelling-up-the-uk-executive-summary.pdf)

<sup>18</sup> Worcestershire LEP (2014) Strategic Economic Plan, Available at: [worcestershire-sep.pdf \(lepnetwork.net\)](https://www.worcestershire-lep.net/sep.pdf)

	the vision, and provides information on how the plan will be delivered.	<ul style="list-style-type: none"> <li>○ Finding ways to remove the red tape that is restricting growth</li> <li>● Worcestershire LEP also lists several other initiatives in place to encourage innovation which align with the intentions and goals of the DMIC project</li> </ul>
Plan for Growth, Worcestershire LEP, 2020 <sup>19</sup>	The WLEP Plan for Growth is a regional document outlining the strategic vision for the Worcestershire economy, and the headline objectives that need to be met to achieve this vision	<ul style="list-style-type: none"> <li>● Worcestershire LEP state that 'innovation drives competitive advantage' which is why they are 'unashamedly focusing on science and technology and driving investment in research and development'</li> <li>● Stimulating investment in research and development and innovation is listed as one of Worcestershire's headline objectives</li> <li>● The Plan for Growth wants Worcester to become a 'powerhouse' of R&amp;D and innovation.</li> </ul>

### Local Policy

Borough of Redditch Local Plan No.4, 2017 <sup>20</sup>	The Redditch Local Plan provides a framework approach for growth in the borough and forms part of the Borough of Redditch Development Plan.	<ul style="list-style-type: none"> <li>● The vision for Redditch, set out in the Adopted local plan, lists the following core objectives for the local area: <ul style="list-style-type: none"> <li>○ Creating and sustaining a green environment</li> <li>○ Creating a borough where businesses can thrive</li> </ul> </li> <li>● The above objectives are well aligned with the proposal of funding for the DMIC project, as the new centre is expected to support business resilience and productivity and encourage innovation in the manufacturing industry. Such innovations in the manufacturing industry have the potential to be cost and energy efficient compared to current standards, thus supporting a green environment. The DMIC will also replace an energy inefficient building with a modern sustainable building.</li> </ul>
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Source: Mott MacDonald

[local, regional, and national policy alignment]

## VISION AND OBJECTIVES

The vision and objectives of the Redditch Town Investment Plan have been collaboratively developed to address the socioeconomic needs of the town, in the interest of maximizing economic growth opportunities. The vision for Redditch is:

*“to transform Redditch from a traditional New Town into a New smart Town fit for the 21st century, which is a great place to live and work and an investment and visitor destination. We will achieve this vision by laying the foundations for Redditch to become a digital, green, connected and creative town.”*

The DMIC project will play a crucial role in realizing the vision of the Redditch TIP. Specifically, the project will contribute towards digital and creative focuses of the town, by providing a landmark building

<sup>19</sup> Worcestershire LEP (2020) Plan for Growth, Available at: [WLEP-Plan-for-Growth-2020-2040-FULL-VERSION.pdf](#)

<sup>20</sup> Redditch Borough Council (2017) Borough of Redditch Local Plan No.4, Available at: [Adopted-Borough-of-Redditch-Local-Plan-No4-2011-2030-.pdf \(redditchbc.gov.uk\)](#)

in Redditch that houses digital manufacturing and innovation space for SMEs, encouraging collaboration and innovation around the digital manufacturing industry.

### SMART Objectives

The DMIC project will make a vital contribution towards Redditch’s recovery from Covid-19. The new DMIC will provide excellent workspaces and digital innovation support for small business and manufacturers, providing access to specialised equipment and facilities. The Innovation Centre is expected to increase the resilience and productivity of the groups that use the new facilities, by increasing innovation but keeping costs low. The new centres will actively support Redditch in addressing the issues listed in the Case for Change.

The objectives of this project are to<sup>21</sup>:

- Provide open access and specialist support to local entrepreneurs and companies, particularly in the manufacturing sector, that want to test and develop 5G-enabled services and applications (provision of a 5G test bed).
- Provide access to a range of high-quality business and innovation services and space to nurture, mentor and facilitate businesses development and growth;
- Provide new businesses, predominantly, but not exclusively, within the manufacturing sector with a range of flexible workshop and office accommodation to enable them to prosper and grow;
- Develop a base of local workforce and young talent equipped with the skills needed in a 21st century digitalised economy;
- Create an investment destination / eco-system that facilitates adoption of digital technologies, particularly in the manufacturing sector

### Measures of success

Beyond the SMART objectives set out above, the measures of success for the DMIC also include:

- Commercial viability – getting firms in and improving survival

## THE PROPOSED INVESTMENT

### Summary of options considered

The different options considered for addressing the current issues around xx, xx and xx as mentioned in the Case for Change, are listed in Table 2. There are three options considered for delivering the DMIC project in Redditch, which are covered in more detail in the Economic Case of this report, and are linked to the spatial extent and pace of development on the site.

**Table 2: Digital Manufacturing and Innovation Centre – potential options**

Option	Description of option	Conclusion
<b>Option 1 – Do Nothing</b>	No intervention is made to address identified issues. The current provision is maintained and no change is seen.	This option has been discounted as it does not achieve the councils aims and objectives
<b>Option 2 – Do Something</b>	The DMIC is delivered, meeting the required outputs and outcomes of the project within an affordable budget	Preferred option – this option will meet the councils aims and objectives
<b>Option 3 – Do Maximum</b>	The DMIC is delivered, with additional investment to take the project beyond the required outputs and outcomes	This option has been discounted as, although it would achieve the aims and objectives of the council, the financial costs associated with this option are too high and the project would not be affordable

Source: Project sponsor

<sup>21</sup> Redditch Borough Council (2021) Town Investment Plan  
TFDP Stage 2 – Business Case Template

The qualitative options appraisal set out above confirmed the identification of Option 2 as the Preferred Option for the development of the DMIC project.

### Project risks, constraints, and interdependencies

The table below sets out the top risks for development of the DMIC in Redditch, identified from the wider risk assessment. Further detail on risk and mitigation can be found in the Management Case of this report.

**Table 3: Project Risks**

<b>Title</b>	<b>Description</b>	<b>Current Controls In Place</b>	<b>Mitigating Action</b>
Construction Cost	Increased construction costs impacting the viability of the project.		Detailed costs produced at the inception stage to be monitored and adjusted throughout. Cost value engineering where appropriate. Discuss with contractors on framework for fixed prices? Contingency.
Construction programme delays	The construction programme is delayed, impacting on the wider programme completion.		Contractor instructed to monitor the progress of development and report any diversion to the project manager at an early stage so that mitigation measure can be put into place.
Procurement of External Advisors including Design, Planning and Cost Teams	Unable to procure external advisors to provide advice on the design and delivery of the project.	NWEDR managing delivery of programme and in house procurement team.	
Environmental	Ground conditions and building surveys highlight issues impacting on demolition and wider public realm works.	Surveys to be commissioned including indicative Demolition Strategy. Ongoing review of the scheme to identify required works.	10% contingency included at the pre-works phase.
Design & Planning	Design work is not progressed at an early stage and not in accordance with planning and statutory requirements.	Work to be procured now funding award confirmed. Ongoing review with the Planning Department to ensure all proposals are acceptable	Time contingency to be included in the programme for the design feasibility stage.
Contractual	Failure to enter into a suitable and secure contractual arrangement with construction partners	Review other project to identify lessons learned on contractual arrangements. If using a framework route then the contractual arrangements are largely known and this would reduce risk.	Legal Department involvement. Instruction of external specialists where necessary.
Relocation of Police service	Existing police station to relocate to new purpose built facility outside of the Town Centre, failure to relocate will impact on delivery and completion of the project within the allocated timelines.	Ongoing communication with RBC Officers and Police with updates on Blue Light Hub progress.	Officers/police to investigate alternative locations for the Police station should Blue Light Hub not be ready.
Procurement of Contractors/ Delivery Agents	Failure to attract sufficient interest from contractors for the scheme development.		Soft market testing exercise to be carried out.
Centre occupier	Failure to procure an operator for the innovation centre because of lack of interest or poor quality of applicants.	A number of contacts have been identified as potential operators with discussions taking place as part of the TIP phase. Early engagement and marketing to promote the centre.	Soft market testing

Source: North Worcestershire Economic Development and Regeneration

### Constraints and interdependencies

At this stage of the project, it is understood that the development of the Innovation Centre is dependant on the following two contingencies. It is not expected that these project dependencies will cause major issue of the progression of the project.

**Table 4: Project constraints and interdependencies**

Title	Description	Date Raised	Category
Relocation of Police service	Existing police station to relocate to new purpose built facility outside of the Town Centre, failure to relocate will impact on delivery and completion of the project within the allocated timelines. This could result in the failure to spend all of the Town's fund funding within the required timeframe.	23/05/2022	Operational
Business Cases Development	The development of the Innovation Centre Business Case is interlinked with the development of Public Realm and Library site development business cases. Therefore any delays on this business case .	23/05/2022	Operational

Source: North Worcestershire Economic Development and Regeneration

### Project proposal

The new DMIC in Redditch will deliver approximately 2,500 sqm of state of the start incubation, innovation, and co-working space for businesses of varying size, but predominantly SMEs. The new facilities and resources will be made available within a new purpose-built structure, creating a new landmark location within Redditch.

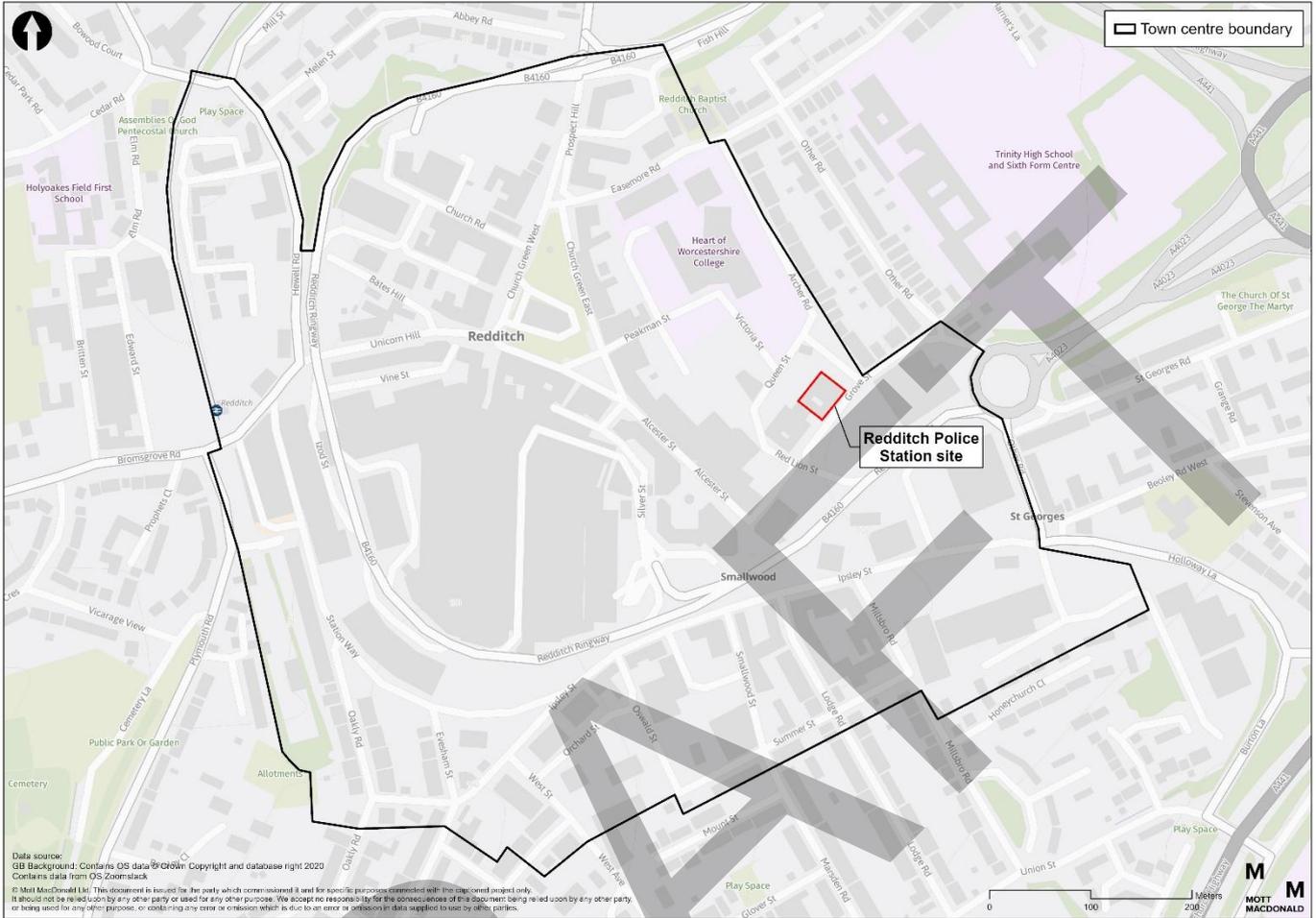
In the medium to long term, it is expected that the DMIC will benefit SME's that utilise the new workspace, by increasing their resilience, productivity, and competitiveness through the increased provision of digital innovation support. The Centre will also have a dedicated function to provide necessary digital skills to both young and mature students, ensuring the current and future workforce have the required skillset for the 21s century economy, and encouraging local manufacturers to adopt digital technologies.

The DMIC development is expected to provide the following key outputs:

- Provision of specialist digital technologies to meet the needs of specified sectors, particularly manufacturing and ICT
- Infrastructure to support 5G and full fibre connectivity
- 2,500 sqm of shared workspace
- Two schemes to support enterprise productivity and growth
- Seven grant programmes to support local SMEs or employers in key sectors

The new DMIC will be constructed on the Redditch Police Station Site, replacing Redditch Police Station once demolished. The location of the site in the context of Redditch Town Centre is illustrated below in Figure 3.

**Figure 3: Location of the DMIC site in Redditch Town Centre**



The total scheme costs are expected to be £xx, with CAPEX of £xx and OPEX of £xx. The Towns Fund ask for this scheme is £8 million, which covers all costs of the DMIC.

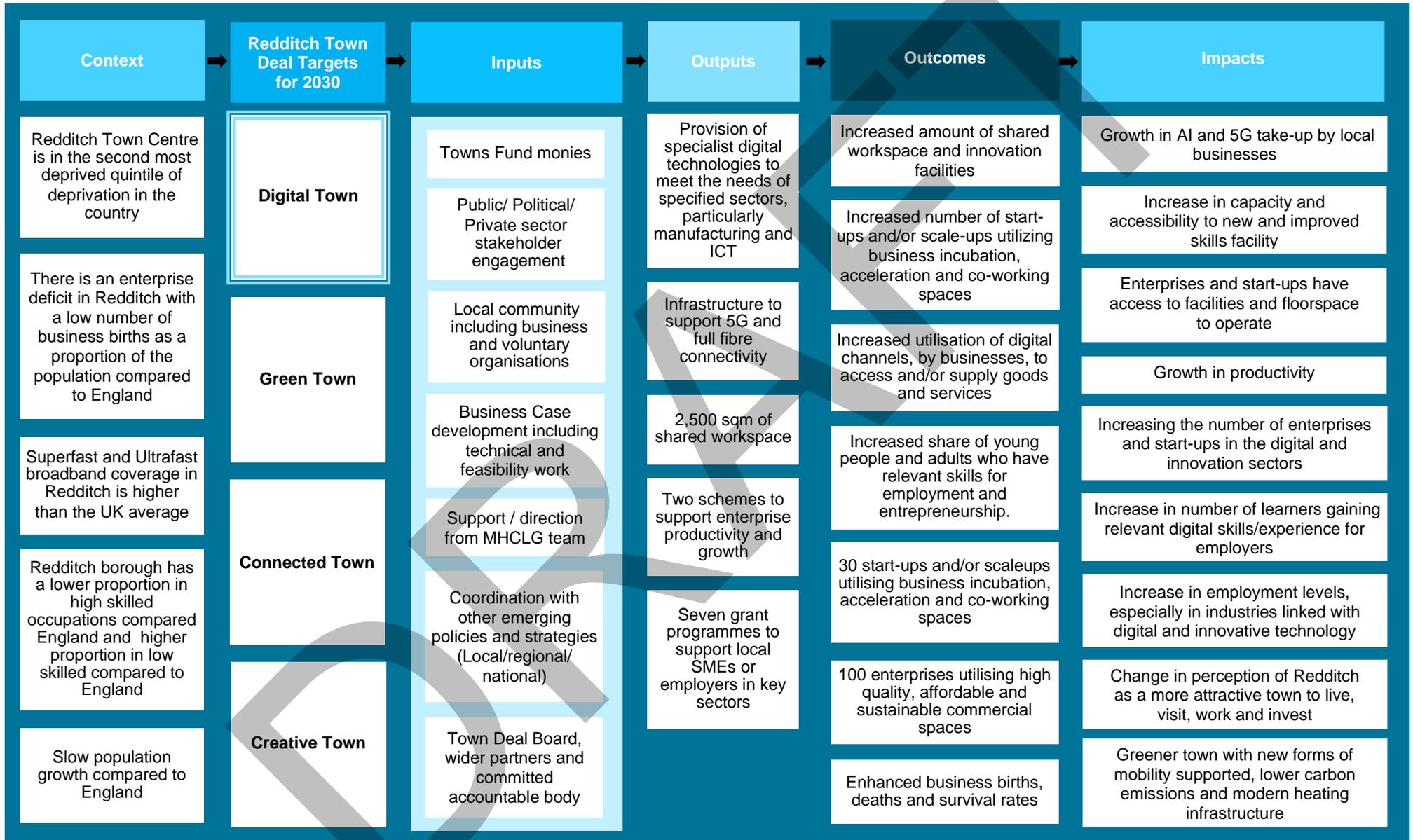
[how project addresses objectives and vision]

**Project theory of change**

A detailed depiction of how the chosen option will help to achieve the objectives of the DMIC project, and link with the wider vision and objectives of the Redditch TIP alongside other broader policy objectives, is set out in the project theory of change model below.

Following Magenta Book best practice the Theory of Change sets out the contextual challenges faced by Redditch, such as the presence in an enterprise deficit and slow population growth. The required inputs set out the specific items required for delivery of the scheme including funding, stakeholder support and technical expertise. Outputs describe clearly how the Towns Fund money will be spent and the tangible deliverables of the project within the scope of the DMIC project. Those outputs will then deliver outcomes which are the measurable results expected to arise from completion of the Innovation Centre. This focus on supplying modern business incubation and co-working space in Redditch will support the upskilling of local residents in technology areas, foster an increased rate of business births in Redditch and improve R&D and innovation in the manufacturing sector.

**Figure 4: DMIC Theory of Change**



Source: Mott MacDonald

### Expected outputs and outcomes

There are several key outputs and outcomes expected to be delivered via the successful completion of the Redditch Digital Manufacturing and Innovation Centre. The outputs of the project are designed to yield desired outcomes for the community of Redditch, that will actively contribute to the correction of issues prevalent in the local area, highlighted in the Case for Change.

The outputs and outcomes of the DMIC are detailed in table xx below.

**Table 5: Outputs and outcomes of the DMIC project**

Outputs	Outcomes
<ul style="list-style-type: none"><li>• Provision of specialist digital technologies to meet the needs of specified sectors, particularly manufacturing and ICT</li><li>• Infrastructure to support 5G and full fibre connectivity</li><li>• 2,500 sqm of shared workspace</li><li>• Two schemes to support enterprise productivity and growth</li><li>• Seven grant programmes to support local SMEs or employers in key sectors</li><li>• </li></ul>	<ul style="list-style-type: none"><li>• Increased amount of shared workspace and innovation facilities</li><li>• Increased number of start-ups and/or scale-ups utilizing business incubation, acceleration and co-working spaces</li><li>• Increased utilisation of digital channels, by businesses, to access and/or supply goods and services</li><li>• Increased share of young people and adults who have relevant skills for employment and entrepreneurship.</li><li>• 30 start-ups and/or scaleups utilising business incubation, acceleration and co-working spaces</li><li>• 100 enterprises utilising high quality, affordable and sustainable commercial spaces</li><li>• Enhanced business births, deaths and survival rates</li></ul>

Source: Project team

### Expected different impacts on protected characteristics and/or income groups

At the time of writing a full equality impact assessment for the impact on those with protected characteristics has not been completed. This will be completed during the detailed design stage.

### STAKEHOLDERS

[list of key stakeholders and their role or interest in the project]

[summary of engagement to date and evidence gathered]

[summary of stakeholder viewpoint of the project and how it has influenced the strategic case]

# ECONOMIC CASE

## PRACTICE NOTES

The Economic Case determines the value for money of the investment. It should include an analysis of monetised benefits and costs, as well as non-monetised benefits. The benefits and costs assessed should be aligned to the objectives set out for the project in the Strategic Case. It is important that Economic and Strategic Cases are closely aligned.

As noted in the MHCLG Stage 2 guidance “Net present social value and benefit-cost ratios should not be treated as a full representation of value for money. Rather, they should be used to summarise the benefits and costs that can be readily monetised or quantified. There may be wider strategic or social value to an intervention which may not be easily assimilated into calculations.”

The level of modelling should be proportionate to the funding ask and size of the scheme.

Towns should decide how to treat Covid-19 impacts. We recommend this is factored into the projections of benefits either in a core scenario or as a sensitivity test. Additional resources to help you consider the impact of Covid-19 are available on the TFDP website.

# ECONOMIC CASE

## [summary of Economic Case]

### INTRODUCTION

The Economic Case will demonstrate the public value for money of the preferred options to society. This is demonstrated through a Value for Money (VfM) assessment of the preferred option.

### APPROACH TO ECONOMIC CASE

[options and scenarios considered (must at least comparison of do minimum and do something), modelling years, modelling approach, use of relevant guidance, reference to latest Green Book]

The approach to the economic case is based on a combination of quantitative and qualitative analysis, designed to reflect the emerging proposal for the Digital Manufacturing and Innovation Centre in Redditch. The quantitative assessment focusses on capturing spillover, land value uplift (LVU) and business survival benefits, using a Cost-Benefit model produced by Mott MacDonald. This approach has been used as the benefits captured through this model reflect the core impacts of the project and can be reliably quantified at this stage of project development.

Additional benefits are captured qualitatively. The project costs and benefits have been appraised over a 30-year appraisal period and are presented in 2022 prices, discounted at a standard rate of 3.5% in line with HM Treasury Green Book guidance.

### Options Appraisal

As stated in 'The proposed investment' section of the Startegic Case, three options were considered for the development of the DMIC in Redditch. These are once more identified in Table 6 below, along with the conclusion made when considering their feasibility and viability.

**Table 6: Digital Manufacturing and Innovation Centre – potential options**

Option	Description of option	Conclusion
Option 1 – Do Nothing	No intervention is made to address identified issues. The current provision is maintained, and no change is seen.	This option has been discounted as it does not achieve the councils aims and objectives
Option 2 – Do Something	The DMIC is delivered, meeting the required outputs and outcomes of the project within an affordable budget	Preferred option – this option will meet the councils aims and objectives
Option 3 – Do Maximum	The DMIC is delivered, with additional investment to take the project beyond the required outputs and outcomes	This option has been discounted as, although it would achieve the aims and objectives of the council, the financial costs associated with this option are too high and the project would not be affordable

Source: Project team

The qualitative options appraisal set out above confirmed the identification of Option 2 as the Preferred Option for the development of the DMIC project.

### ECONOMIC BENEFITS

[types of benefits identified and why, geographical scale of benefits (including the latest **place-based approach** recommended in the Green Book which includes consideration of local employment impacts)]

[how benefits estimated link to theory of change and strategic case]

[how benefits have been monetised]

[relevant modelling results (e.g. demand forecasts for a walking or cycling scheme, number of visitors to a new cultural centre)]

[presentation of annual undiscounted benefits (real terms)]

[consideration of additionality, deadweight and displacement of benefits and double counting]

Example benefits to consider are set out below:

Towns Fund investment theme	Key benefits	Wider social and economic benefits (note adding all benefits may lead to double counting)	Key guidance to model and monetise benefits
<b>Local transport</b>	<ul style="list-style-type: none"> <li>User benefits (time savings, cost savings)</li> <li>Reduction in accidents</li> <li>Environmental benefits</li> <li>Amenity benefits</li> </ul>	<ul style="list-style-type: none"> <li>Health benefits (from increased physical activity and improved air quality)</li> <li>Productivity benefits (e.g. agglomeration)</li> <li>Employment impacts</li> <li>Attraction of investment</li> <li>Social inclusion</li> </ul>	DfT's Transport Appraisal Guidance (TAG)
<b>Digital connectivity</b>	<ul style="list-style-type: none"> <li>User benefits</li> </ul>	<ul style="list-style-type: none"> <li>Productivity benefits for businesses which experience higher efficiencies</li> <li>Attraction of investment</li> <li>Social benefits from improved access to communication</li> </ul>	
<b>Urban regeneration, planning and land use</b>	<ul style="list-style-type: none"> <li>Land value uplift</li> </ul>	<ul style="list-style-type: none"> <li>Increases in local employment and GVA</li> <li>Community cohesion</li> <li>Health benefits from increased active travel or use of new public / green spaces</li> <li>Social benefits (e.g. improved personal security)</li> </ul>	MHCLG guidance
<b>Arts, culture, and heritage</b>	<ul style="list-style-type: none"> <li>Increased retail revenue from increased footfall</li> <li>Amenity benefits</li> </ul>	<ul style="list-style-type: none"> <li>Social benefits from improved access to culture</li> <li>Increases in local employment and GVA</li> <li>Community cohesion</li> </ul>	
<b>Skills infrastructure</b>	<ul style="list-style-type: none"> <li>Land value uplift</li> </ul>	<ul style="list-style-type: none"> <li>Increased employment and income</li> <li>Attraction of businesses interested in the skills offered by the new infrastructure</li> </ul>	MHCLG guidance
<b>Enterprise infrastructure</b>	<ul style="list-style-type: none"> <li>Land value uplift</li> </ul>	<ul style="list-style-type: none"> <li>Increased employment and income</li> <li>Attraction of more businesses in the long term</li> </ul>	MHCLG guidance

[consideration of distribution of impacts for instance in the form of a distributional appraisal – this can provide evidence for supporting the levelling up agenda]

### Cost-Benefit Analysis Model

The rationale for the development of the DMIC is to provide a business environment which will support both new enterprises and existing businesses who are looking to improve their productivity through investing in new research and development.

As a result, there are two key scheme economic benefits that are crucial in understanding the case for the Innovation Centre. These are:

- Research Spill overs:** There is a body of evidence which shows that investing in Research and Development (R&D) does not just benefit the company which undertakes this but can spill over

into the wider economy through introducing new ideas and solutions which drive productivity gains.

- **Business Survival:** The modern co-working workspace and capacity for innovation and research provided by the centre will allow new businesses to start up in a highly supportive environment surrounded by other companies in a similar position. This has been shown to improve the odds of a business surviving their first five years and becoming established in the market.

### **Spillovers**

Research and development benefit a considerably wider range of companies than just the company which invested in the R&D in the first place. For example, developing an improved printer not only benefits the company who produces it through better sales, but also benefits all the companies who buy it through an improved printing capability. As the initial company cannot capture all of the benefit associated with R&D, this can lead to under-investment, especially in smaller and more risk averse companies. As a result, there is a clear rationale for government to intervene to support R&D based on the wider benefit it can generate.

Research has been undertaken into the level of wider economic benefits that can be delivered from R&D spend. A study<sup>1</sup> by the UK government reviewed the economic literature available on spillover benefits and found that the range of benefits estimated was between 20% and 100% of the R&D spend. The study found that the midpoint in the literature was 50%.

The spillover benefits for the DMIC have been calculated based on the companies using all floors of the building, as R&D space is expected to be evenly spread across all floors of the facility.

The 1<sup>st</sup> Floor will have xx shared desks and xx private office spaces. The 2<sup>nd</sup> Floor will have xx shared desks and xx private office spaces. The 3<sup>rd</sup> Floor will have xx shared desks and xx private office spaces. In order to simplify the calculation, it is assumed that all desks will be occupied 100% of the time. The hot desks will allow for an occupancy rate of greater than 100%, however equally there will be times when not all the desks are required. As a result, on average, it has been assumed that 100% occupancy will be achieved. The Office for National Statistics (ONS) estimates that the average start-up employs 2.2 FTEs<sup>2</sup> meaning that the xx desks should provide space for between xx and xx start-ups. Assuming 1 company per office, this gives an assumed total of xx companies employing a total of xx FTE staff operating at any time on the xx Floor. Based on ONS estimates for turnover per staff for new companies it is estimated that these xx companies will generate a total turnover per annum of £xxm.

If all of these companies were involved in R&D spend this would suggest an annual spillover benefit of £xxm. However, this is likely to be an over-estimate. A number of key assumptions have been made to arrive at the likely spillover benefit associated with the centre. These are:

1. Occupancy: It is assumed that on average occupancy rates are 85% meaning on average 13 companies use the space at any one time
2. R&D involvement: It is assumed that around 50% of all activity being undertaken in the centre is R&D focussed. This was chosen as a conservative assumption given the innovation focus of the centre.
3. Displacement: It is assumed that 35% of this activity will displace other research activity occurring in other locations. This is based on the assumption that the majority of the research in this centre will focus on new market areas and therefore will not displace significant amounts of existing research.
4. Additionality: It is assumed that 25% of this activity would have gone ahead without the development of the centre. This is based on the assumption of a clear market failure in supporting innovative companies meaning that little of this research would go ahead in the absence of the centre.

As a result of these assumptions, it is assumed that total deadweight is 76%. This means that 24% of total turnover is assumed to be associated with new R&D spend which can be directly attributed to the development of the centre. This resulted in an average spillover benefit of £xxm. This represents the

economic value of this research to companies other than the company undertaking the research. The value of the centre to the company itself is the improved chances of survival (which is considered below). It should also be noted that this value represents the value to society rather than simply additional turnover to other companies (though much of this value is likely to be in the form of Gross Value Added to these companies). This approach has been taken to ensure that there is no overlap between the two benefits.

The total Net Present Benefit (NPB) of this spillover benefit is estimated to be £xxm.

### **Firm Survival**

The first five years for a new business can be highly challenging and many are forced to close within these years. Research<sup>3</sup> suggests that innovation centres can help reduce the rate of business demise, by providing a more supportive environment as well as providing easier access to technology (such as the maker space).

This research paper shows that the probability of a business surviving 5 years inside an innovation centre is 69%. This compares to a 44% survival rate for all new UK businesses. Using these figures, and the 85% occupancy assumption, it is calculated that a total of x firms will pass through the 1<sup>st</sup> floor offices over 20 years. This assumes new firms entering as either a successful firm finds larger offices (after 5 years) or fails and leaves the office early. Within the innovation centre it is estimated that between 12 and 13 of these will fail, compared to 19 to 20 if they had not been in the innovation centre. Therefore, it was estimated that xx firms would continue to exist as a result of the innovation hub over a 20 year period.

The benefit of these 7.5 firms existing is estimated based on the profit that these companies produce. This is an approach developed by the EU as part of its CBA guidance<sup>4</sup>, and is based on the assumption that whilst the workers will find other jobs, the profit of this company is lost to the economy. Average profitability was estimated using ONS figures on average turnover for new companies as well as the average operating surplus for information and communication companies. This gave an estimated average profit for each company of £79,440 per annum.

On this basis it was estimated that the NPB of this was therefore £0.47m.

## **ECONOMIC COSTS**

[explanation of how costs have been obtained and whether a risk assessment has been undertaken]

[capital costs, including renewal costs if relevant (real terms)]

[operating costs]

[approach to optimism bias]

The costs for the development of the DMIC have been forecasted by Mott MacDonald's quantity surveying team, and at this point of scheme development are the most accurate cost estimates available. This section will cover the method used by Mott MacDonald in converting the cashflow forecast into the net economic costs used in the economic analysis and value for money calculations.

Table xx sets out the economic costs for the core scenario, undiscounted in 2022/23 prices. This includes all public and private sector funding for the project. A 10% risk allowance has also been included in the economic costs of the project and been apportioned across each year of development in line with CAPEX and OPEX phasing.

**Table xx: Core scenario economic costs (undiscounted, excluding optimism bias)**

The discounted costs for the Core Scenario are detailed below in Table xx. In line with HMT Green Book 2020 guidance, value have been discounted at a rate of 3.5% per annum. An optimism bias has also been applied to the final sum of Capex and OPEX for the DMIC.

An optimism bias of 24% has been applied for this scheme, as this is the upper bound for standard building projects, and reflects the early stage of cost forecasting that the DMIC project is at. There is scope for the optimism bias to be reduced upon completion of the detailed design stage of the project.

**Table xx: Core scenario economic costs (discounted, including optimism bias)**

## VALUE FOR MONEY ASSESSMENT

There are two key metrics set out in the MHCLG appraisal guidance that can be used to assess VfM: the calculation of BCRs, which simply show the ratio of benefits to costs; and the NPSV, which represents the present value of benefits less the present value of costs. A BCR of above 1 and a positive NPSV indicates that the intervention option under consideration represents good VfM. The higher the BCR, the higher the overall VfM (not taking into account non-monetised costs and benefits)

The VfM assessment for this project is based on a 30 year appraisal period. In line with HMT Green Book 2020 guidance, values have been discounted at a rate of 3.5% per annum. The price base year is 2022/23. The results of the VfM assessment for the overall project for the Core Scenario is outlined in Table x below. The VfM assessment for the DMIC core scernio shows a BCR of xx. This demoinstartes xx value for money, xx above a BCR of 1, and a NPSV of xx million.

[choice of appraisal period, approach to discounting, sensitivity tests]

[impact of Covid-19 on results, other sensitivity tests]

[example optional table below]

Value for money assessment (£m, discounted, 2021 prices)		Core scenario	Sensitivity test 1	Sensitivity test 2
<b>Economic benefits</b>				
Benefit 1		£XXXm	£XXXm	£XXXm
Benefit 2		£XXXm	£XXXm	£XXXm
...		£XXXm	£XXXm	£XXXm
<b>Total economic benefits</b>	(A)			
<b>Economic costs</b>				
Towns Fund cost/funding	(B)	£XXXm	£XXXm	£XXXm
Co-funding	(C)	£XXXm	£XXXm	£XXXm
<b>Total public sector funding</b>	(D) = (B) + (C)	£XXXm	£XXXm	£XXXm
Private sector funding	(E)			
<b>Total economic costs</b>	(D) + (E)			
<b>Benefit-Cost Ratio (BCR)</b>	<b>(A) – (E) / (D)</b>	<b>X.X</b>	<b>X.X</b>	<b>X.X</b>

From Green Book (2020) guidance (p. 40): When considering proposals from a UK perspective the relevant values are viewed from the perspective of UK society as a whole. Where appraising a place based policy or a UK wide proposal with place based effects the relevant values include effects in the place of interest and similar nearby travel to work areas. The relevant costs and benefits which may arise from an intervention should be valued and included in Social CBA unless it is not proportionate to do so. The priority costs and benefits to quantify are those likely to be decisive in determining the differences between alternative options. The appraisal of social value involves the calculation of Net Present Social Value (NPSV) and Benefits Cost Ratios (BCRs) the ratio of benefits to costs.

## QUALIATIVE BENEFITS

In addition to the quantified benefits identified in the previous section the completion of the DMIC project is expected to bring further qualitative benefits. These are detailed in the table below.

**Table 7: Qualitative Benefits**

Impact type	Description	Assessed impact size
Education	<p>The Centre will also have a dedicated function to provide necessary digital skills to the residents of Redditch, ensuring the current and future workforce have the required skillset for the 21st century economy, and encouraging local manufacturers to adopt digital technologies.</p> <p><i>The Department for Education – The economic value of key intermediate qualifications study (and many other UK studies) estimates that there are profound benefits of education attainment including through increased wage premiums. Educational attainment also has benefit for the businesses in an area through increased productivity.</i></p>	Medium
Improved perception of Redditch	<p>The DMIC project will improve the perception of Redditch as a place to live and work. Demolition of the dated police station and construction of a modern innovation centre will improve the visual appeal of the town centre, especially from the south east entrance. This will demonstrate the commitment of the local authority to transform Redditch town centre for the benefit of residents and visitors.</p>	Medium
Knock on effects of increased economic activity in the long term	<p>The upskilling and education of adults, especially in deprived communities in Redditch, will improve employability and lead to increased employment in the long term. This in turn will lead to increased take-home pay for previously lower-income families and residents, facilitating an increase in spending in the local economy. This will have positive impacts for third party businesses in the area such as café's, restaurants, high street shops retail shops and leisure providers who benefit first hand from the increase in spending.</p>	Low
Improving population retention	<p>A knock-on effect of improving Redditch as a place for business and creating a more diverse town centre offer will be to improve population retention of younger people and skilled workers. The Strategic case highlighted the challenged facing Redditch with stakeholder stating that the young population are leaving the area due to a lack of opportunity. In addition, population growth in Redditch Town has been significantly lower than the county, regional and country comparators from 2011 to 2019. Increasing the opportunities within Redditch will therefore be important to reverse this trend, the DMIC will be a significant factors in creating these new opportunities.</p>	Medium

Source: Mott MacDonald

**SUMMARY**

[summary of preferred option for investment]

# FINANCIAL CASE

## PRACTICE NOTES

The Financial Case assesses the affordability of the investment, identifying cost, revenue, and funding sources.

Note the level of detail should be proportionate to the size of the project.

If you are developing a programme case, each project should have its own financial profile within this section.

# FINANCIAL CASE

## [summary of Financial Case]

### INTRODUCTION

[intro to Financial Case]

[state the preferred base case option, based on the appraisal set out in the Strategic and Economic Cases]

Based on the appraisal set out in the strategic and economic cases, this section sets out the key financial considerations for the preferred option for the development of the DMIC in Redditch with Towns Fund funding. The case sets out how the project will be funded, the total costs of the project over its implementation in the current financial year to **x**, the sources of funding and the profile of funding over the delivery period.

This is detailed through financial costs, revenue streams and assessments of affordability for the intervention. This business case is seeking £8m Towns Fund grant funding to deliver the £10m project.

### APPROACH TO FINANCIAL CASE

[funding options considered, principles of funding, inflation considered, other financial modelling assumptions]

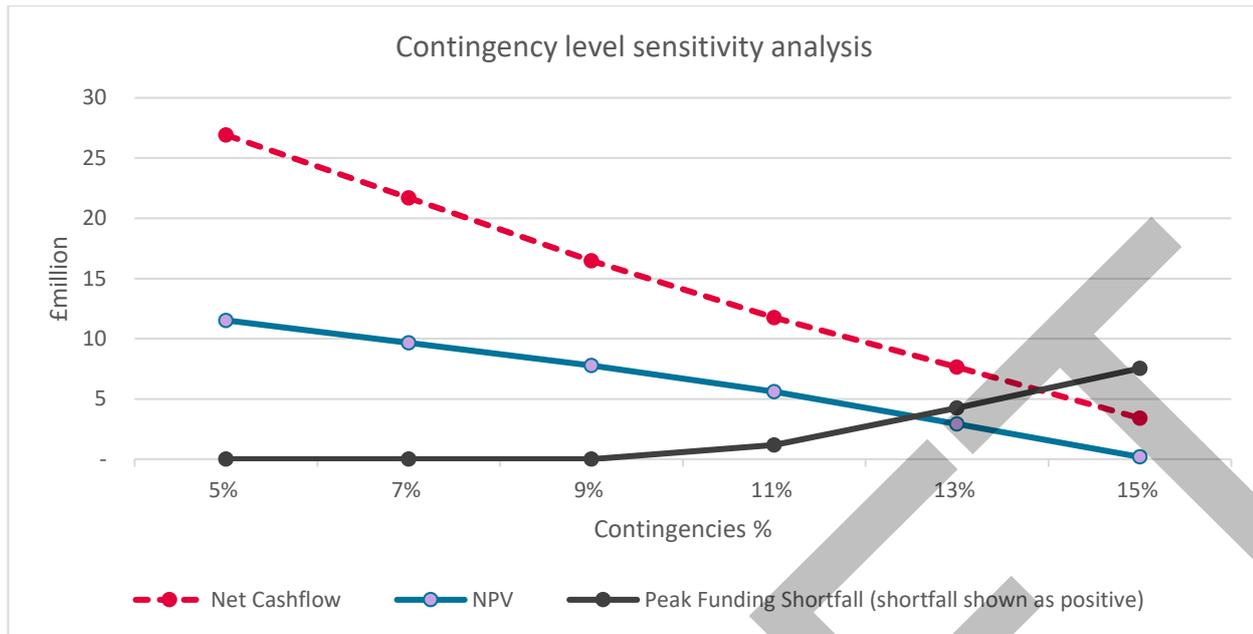
[include amounts and sources of these funds and state whether match funding / co-funding from the public and/or private sector is being used in addition to Towns Fund funding]

Type	Source	Total Amount
Public sector	Towns Fund	£XXm
E.g. Private sector	XYZ Limited	£XXm
E.g. Public sector	Council	£XXm
...		

### COSTS

[how costs have been obtained and how robust they are - list out key assumptions such as the base financial year where development costs will be incurred, indexation rates, discount rates, etc.]

[whether / how risk has been factored into costs – include any summary variances from undertaking any sensitivity analysis performed and comparison to scenarios which include contingencies. This can be presented as a table and/or graph – an example has been set out below for further reference]



[capital costs (nominal terms), total and annual profile]

[operating costs (nominal terms) on an annual basis]

[consider the inclusion of a “sources and uses” table which sets out the assumed costs and income streams, an example table has been set out below]

Sources	Value	Uses	Value
Towns Fund	£xm	Operating Costs and Management Fees	£(x)m
Public sector co-funding	£xm	Development Costs	£(x)m
Private sector co-funding	£xm	PWLB Interest Paid	£(x)m
Revenue	£xm	PWLB Loan Repayment	£(x)m
PWLB Drawdown for capital costs (if applicable)	£xm	...	
...	£xm	Total Uses	<b>£(X)m</b>
	£xm	Retained Cash Balance	£(x)m
<b>Total Sources</b>	<b>£Xm</b>	<b>Total Uses less Retained Cash Balance</b>	<b>£(X)m</b>

## FUNDING AND REVENUES

[revenues from scheme]

[how funding options were identified and how secure they are – use evidence and update the funding amounts as set out in the TIP2 document]

[funding streams including a financial profile and sources, and with a clear presentation on match-funding revenue streams]

[if borrowing has been drawdown, provide an indicative timeline for when the funds are expected to be repaid in full]

<b>Funding Profile</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>Total</b>
<i>Value</i>	£m						
Towns Fund							
E.g. XYZ Limited							
E.g. Council							
<b>Total Funding</b>							

DRAFT

## **AFFORDABILITY ASSESSMENT**

[assessment of affordability – include general financial metrics, such as net cash flow, net present value, internal rate of return and breakeven analysis as a way of assessing affordability. Sector specific metrics could be used to link the Financial Case to the Commercial Case]

[include the stakeholders – such as senior project leaders, funders, businesses, public and decision makers – that support the project and its continuing viability.]

[financial risks – this includes funding risk, interest risk and indexation risk]

## **WIDER FINANCIAL IMPLICATIONS**

[does the project's financial objectives meet the Council financial objectives as set out in the (if any) Local Plans and MTFS criteria. By undertaking the project, this may change the risk profile of the Council / Local Authority associated with the project]

[accounting Treatment and Impacts (where relevant) – obtain accurate definitions of capital and revenue items. This can contribute towards detailed and reliable financial analysis of the project.]

# COMMERCIAL CASE

## PRACTICE NOTES

The Commercial Case assesses the commercial viability of the investment.

Note the level of detail should be proportionate to the size of the project.

# COMMERCIAL CASE

## [summary of Commercial Case]

### **INTRODUCTION**

[intro to Commercial case, explaining the purpose of this section]

[set out the commercial objectives and constraints for agreements and procurements]

### **COMMERCIAL DELIVERABILITY**

[identification of potential commercial options and select/summarise the proposed commercial/delivery model with supporting rationale, with reference to the existing commercial strategy of the organisation where feasible]

[evidence of market testing or that there is a market to deliver the project]

[outline the key contractual arrangements, including personnel implications and charging/payment mechanisms]

[who will deliver the project/investment - role and responsibilities of the contracting parties, demonstrating the appropriate skills and capabilities are in place to deliver]

[treatment of risks, transfer proposals and, if applicable, conflicts of interests and how these will be managed]

[retained risk flows through to the management case to set out the mitigation measures]

### **PROCUREMENT STRATEGY**

[identification of the main components of the projects that will need to be procured and assessment of procurement options for each and identification of a preferred procurement route, including any packaging, interdependencies and so forth]

[summarise procurement process, including key milestones, assurance, and approvals]

[summarise any existing and proposed policies that will apply and be embedded into the procurement strategy, for example:

- social value e.g. jobs, supporting the local economy
- sustainability, ethical sourcing, supporting net zero
- innovation and deployment of modern methods of construction]

### **WIDER CONSIDERATIONS**

[other considerations if applicable]

**DN – Currently being worked on offline.**

**Awaiting information on:**

- Preferred contracting route for construction of DMIC (Ostap)
- Contracting approach for support partner (SQW)

# MANAGEMENT CASE

## PRACTICE NOTES

The Management Case assesses the deliverability of the investment, identifying timescales and project responsibilities.

The questions set out below are intended to help you to think through a number of aspects which will help to ensure your project is successful. Whilst this may look quite detailed compared to some of the other cases, it will be important for you to think through each of these elements so you can be in the best place possible as you look ahead to project initiation and project delivery.

The management case should build on the delivery plan outlined in the TIP for this specific project.

From a stakeholder engagement perspective, it's important to identify the key stakeholders and include a strategy and plan laying out a programme of stakeholder engagement activities that will help deliver the project.

Note the level of detail should be proportionate to the size of the project.

# MANAGEMENT CASE

## [summary of Management Case]

### **INTRODUCTION**

[intro to the management case]

[approach to deliverability]

[rationale supported by evidence of application on similar projects]

### **PROJECT ORGANISATION AND GOVERNANCE**

[details of participants with reference to TIP and roles, accountabilities, and responsibilities]

[details of the project delivery organisation functions, key roles, capability, competences – including resourcing strategy (internal/external)]

[details of governance arrangements for oversight and approvals and delegated authorities]

### **ASSURANCE**

[summary of approach to assurance including application of 3 lines model]

[summary of assurance plans including timing of key reviews and links to decision points]

[submission of an integrated approvals and assurance plan]

### **SCOPE MANAGEMENT**

[summary of the scope of the project and its key elements]

[approach to specifying, approving, and managing requirements]

[summary of interfaces with third parties and management approach]

[summary approach to solution development, confirmation management, acceptance]

### **PROGRAMME/SCHEDULE MANAGEMENT**

[summary structure of programme and principal stages and workstreams]

[summary timescales and explain if project is being fast-tracked]

[details of dependent and interdependencies with rest of TIP and non-TIP projects]

[summary of key milestones including key decision points, assurance, consents, approvals]

[summary of critical/near critical paths and/or higher risk workstreams/activities]

[summary of schedule hierarchy and tools and include high level pictorial summary]

[summary of constraints, assumptions, and basis for programme rates/durations]

[details of most likely forecast completion date within stated range]

[summary of risks and issues likely to affect implementation and delivery performance]

### **RISK AND OPPORTUNITIES MANAGEMENT**

[summary of risk management strategy reflecting organisation, financial and commercial case and covering identification, classification, quantification, mitigation)

[summary of processes and tools including whether qualitative and quantitative assessments are proposed]

[summary of risk themes and key risks and mitigations]

[summary of approach to issue management if separate from risk management]

[if applicable, summary of retained risks and mitigation/management plans]

[summary of approach to opportunities management and realisation]

[assessment of opportunities to gain from industry productivity initiatives]

## **PROJECT MANAGEMENT**

[summary of proposed project management approach/methodology]

[statement describing intent to apply existing or need to develop new processes]

[summary of key processes for controlling scope, programme, cost, risk, HSE (health safety and environment), assurance and reporting]

[summary of processes for managing key interfaces, consents, and compliance]

[summary of approach to information management]

[details for managing change linked to organisation, governance and delegated authorities]

[arrangements for managing professional service contracts and third-party agreements]

## **STAKEHOLDER ENGAGEMENT**

[summary of key stakeholders and their interests and power to influence delivery]

[summary of strategy(s) to engage through development, delivery, and operations]

[summary of approach to communications with stakeholders including the public]

## **BENEFITS, MONITORING AND EVALUATION**

[summary/cross reference to the benefits register covering development/delivery/operations]

[approach to developing a benefits realization plan and its approval]

[arrangements for tracking and reporting benefits through development/delivery]

[high level strategy for monitoring and evaluating benefits realization]

**DN – Will be based on Management case being constructed for Library business case.**

**Awaiting information on:**

- **Roles and responsibilities within the DMIC (SQW)**

Once Heads of Terms have been agreed, towns are required to develop business cases for each project and submit a Summary Document to Ministry of Housing, Communities and Local Government (MHCLG). MHCLG will need to review and be satisfied with the Summary Document before funding can be released.

The **Summary Document is mandatory**, even if you do not use the TFDP business case template.

# SUMMARY DOCUMENT

## Towns Fund Stage 2 Business case guidance Annex C: Summary Document template

Towns must:

- Submit a completed Summary Document for each project to Ministry of Housing, Communities and Local Government (MHCLG) as soon as they are ready and within 12 months of agreed Heads of Terms.
- **Where towns require funding in 2021/22** then Summary Documents **must** be submitted to MHCLG by 14 January 2022.
- Note that in the event of late submission of Summary Documents (SD), MHCLG cannot guarantee payment. If there is a risk of late submission, towns should promptly liaise with their MHCLG local leads.
- **With the first Summary Document, include** Part 2: Town Investment Plan (TIP) conditions (where applicable).

Please note: MHCLG will use the financial profile (Annex A-1) submitted previously to make any payment.

### Programme-level update

Where not submitted today, the remaining Summary Documents submission timings.

Project name	Month/Year
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

## **Part 1: Project Summary Document**

Towns should complete this for each project.

<b>Summary Document table</b>	
<b>1. Project name:</b>	
<b>2. Heads of Terms project conditions</b>	
	<ul style="list-style-type: none"> <li>- Actions taken to address any conditions attached to the project in the Heads of Terms, where applicable.</li> <li>- Where the condition was to provide a delivery plan please input in the section below (no.9) and/or attach to this document.</li> </ul>
<b>3. Business case appraisal</b>	
	<p>Provide details of how the business case has been appraised including:</p> <ul style="list-style-type: none"> <li>- business case type</li> <li>- any internal or external assurances</li> </ul>
<b>4. MHCLG capital (CDEL) 5% payment</b>	
	<p>Main activities, if applicable:</p> <ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>
<b>5. Quantified benefit-cost ratio/value for money (e.g. Benefit Cost Ratio or Net Present Social Value)</b>	
	<p>A quantified benefit-cost ratio should be provided. If it has not been generated, a summary of evidence used by the S151 Officer to demonstrate value for money should be stated.</p>
<b>6. Deliverability</b>	
	<p>Will this project still be delivered within the Towns Fund timeframe? (Y/N)</p>

## 7. Delivery plan

Including details of:

- timescales and key milestones
- partnerships
- interdependencies
- risks and mitigation measures (if not provided above).

## 8. Town Deal Board Chair name & signature

Name of the Town Deal Board:

Chair's name and signature:

Date:

## 9. By signing, I agree that:

1. The business case, in a proportionate manner, is Green Book compliant.
2. The 5% early capital (CDEL) has been included in the Town Fund project costs across the programme.
3. This project and expenditure represent value for money, including the 5% early capital (CDEL) provided.
4. Project-level Equality Impact Assessments such as Public Sector Equalities Duty and/or Environmental Impact Assessments have been undertaken.
5. For final submission - programme-level Public Sector Equality Duty assessment has been undertaken by the accountable body.

**Name of the lead Local Authority and signature of the Chief Executive Officer or S151 Officer**

Name of the lead Local Authority:

Job title:

Name and signature:

Date:

## **Part 2: Town Investment Plan (TIP) conditions**

Towns are **only** required to submit this with the **first batch** of Summary Document if any TIP conditions are listed in the Heads of Terms. All TIP conditions must be met **before funding can be released**.

<b>TIP conditions table</b>	
<b>1. TIP improvement condition</b>	
Set out TIP improvement conditions as agreed in Heads of Terms	
<b>2. Evidence</b>	
Provide evidence of how conditions have been addressed	
<b>3. Name of the Town Deal Board Chair &amp; signature</b>	
Name of the Town Deal Board:	
Chair's name and signature:	
	Date:
<b>4. Lead Local Authority's name &amp; signature of the Chief Executive Officer or S151 Officer.</b>	
Name of the lead Local Authority:	
Job title:	
Name and signature:	
	Date:

## **Annex: submission checklist**

Use this as guidance when submitting the Summary Documents.

<b>Items</b>	<b>Checked</b>	<b>Qty</b>
<b>first submission</b>		
1. Programme-level update	<input type="checkbox"/>	
2. Part 1: Project Summary Document	<input type="checkbox"/>	
3. Part 2: Town Investment Plan (TIP) conditions	<input type="checkbox"/>	
4. Final Monitoring & Evaluation (M&E) plan	<input type="checkbox"/>	
5. Any other documents	<input type="checkbox"/>	
<b>all other submissions</b>		
1. Programme-level update	<input type="checkbox"/>	
2. Part 1: Project Summary Document table	<input type="checkbox"/>	
3. Final M&E plan	<input type="checkbox"/>	
4. Any other documents	<input type="checkbox"/>	

# PROPORTIONALITY GUIDE

You should consider the following questions and prompts to help guide the level of detail required for your business case. Ultimately, this is a question for your local assurance processes and your Town Deal Board.

## GENERAL CONSIDERATIONS

Key questions to consider the level of detail and effort required for your business case as a whole include:

- Is your project large (smaller projects – e.g. <£1m – require less detail compared to larger projects – e.g. projects over £25m)?
- Is the project of regional or national significance?
- Is it a complex or innovative project?
- Is this the first time you have delivered a project of this kind?

If you answer 'Yes' to one or more of these questions, you will need to produce a more detailed business case.

**Ultimately, you should follow any guidance on the level of detail required for business cases based on your local assurance processes.**

For each of the five cases below, we set out key questions and considerations to help you gauge the level of detail required for your business case.

At the end of this document, you can use the [Proportionality Tool](#) to assess where each business case falls on the scale of these key questions, which should help you understand the level of detail required for your business case.

## STRATEGIC CASE

Key questions to consider the level of detail and effort required for your Strategic Case include:

- Is the project a key enabler for other projects or programmes? Is it part of a set of projects to achieve more transformational change?
- Is there a complex stakeholder or policy challenge which requires further evidence or articulation of wider strategic alignment?
- Does the project or its theory of change have any dependencies on other projects or activities?

## ECONOMIC CASE

Key questions to consider the level of detail and effort required for your Economic Case include:

- Is the project in any way high risk or/and new and novel? Are the benefits of this type of project well understood and is there evidence that they are likely to be achieved?
- Is the "Do something" well-articulated – or does it need further refinement? Are the scenarios easily defined?

- What is the level of certainty around the costs and benefits? Is the BCR or NPV calculation particularly sensitive to any of the variables or assumptions?
- Is there any interrelationship or complexity between costs, benefits etc.? For instance, prices or costs impacting on demand?
- Are the costs and benefits dependent on the commercial or financial deal?
- Are there any significant dis-benefits?
- Is the case dependent on significant benefits which are difficult to monetise?
- Is the project likely to have a different impact on different groups (e.g. age, income)?

## FINANCIAL CASE

Key questions to consider the level of detail and effort required for your Financial Case include:

- What are the various sources of co-funding and commitment levels, and are there key uncertainties around those?
- Are there any foreseen Capital or Revenue constraints?
- What are the key assumptions that will impact the financial viability and what sensitivities do you plan to run? Are there any key financial risks to the project?
- Has there been consideration of tax and accounting treatment with your local assurance owner / accounting buddy?

## COMMERCIAL CASE

Key questions to consider the level of detail and effort required for your Commercial Case include:

- What is the commercial strategy underpinning delivery of the project?
- Which party owns which risk and the basis for the risk allocation? To what extent is there opportunity for suppliers to bear risk? Where suppliers are able to take risk how will the pricing mechanism reward/penalise them?
- Does the project involve partnering with multiple bodies and, if so, how will agreements be negotiated?
- Does the scope of the project require specialist input and are there any specific challenges or risks?
- Is the market understood and is the project likely to result in competitive tender(s)?
- Are there any specific challenges in deciding the procurement route to market? To what extent can existing processes for procurement and contract management be used? Do you have experience with this type of procurement?
- To what extent can the project be delivered as a single package or are multiple packages required?
- Can social value be delivered through procurement?

## MANAGEMENT CASE

Key questions to consider the level of detail and effort required for your Management Case include:

- Does the accountable body have an existing and proven approach for the delivery of projects and how will that be applied to the delivery of the project?
- What is the scale and complexity of the project?
- What are the key risks, who are the owners and how will they be managed?
- Is this an innovative project and does the project sponsor have experience in delivering similar projects?
- How many organisations will be involved in the delivery of the project and have they worked together?

- Does this project require complex delivery arrangements and are the roles and responsibilities clear and agreed?
- To what extent is the project dependent on projects by others and how will interfaces be managed?
- How many stakeholders will need to be engaged during development and delivery stages and how will this be achieved?
- What is the basis for the workstreams/activities in the proposed delivery schedule and the confidence in achieving key milestones?
- To what extent are there existing processes and procedures for project controls and how will these be applied?
- Who requires to assured, about what, to what level of detail and to what extent can existing arrangements be adapted and used?
- Is benefits realisation dependent on other parties, behavioural change, or additional enablers such as training or programming?
- How many outcomes and outputs will need to be monitored, and is there an established method for monitoring the outcomes and outputs that have been identified?

DRAFT

## PROPORTIONALITY ASSESSMENT TOOL

	Less detail		More detail
<b>General</b>			
Project size and value	<£1m	↔	£25m+
Regional and national significance	Local	↔	Regional / national
Innovation	Low	↔	High
Experience delivering similar projects	High	↔	Low / no experience
<b>Strategic case</b>			
Enabler of other projects and transformational change	Local impact	↔	Transformational change
Stakeholder picture	Simple	↔	Complex
Key dependencies with other projects	No dependencies	↔	Strong dependencies
<b>Economic case</b>			
Risk and novelty of project	Low	↔	High
Scenario definition	Simple	↔	Complex, including Covid-19 impacts
Certainty around costs and benefits	High certainty	↔	Low certainty
Disbenefits	No disbenefits	↔	Potential Disbenefits
Monetising benefits	Easy to monetise	↔	Difficult to monetise
Distributional impacts across groups	simple impacts, less relevant to project	↔	Complex distributional impacts
<b>Financial case</b>			
Co-funding and uncertainties	Clear co-funding approach	↔	High uncertainty and complex co-funding
Capital and Revenue restraints	None	↔	Some
Financial viability and key financial risks	Low risks	↔	High financial risks
Tax and accounting treatment	Clear	↔	Complex, to be defined

	Less detail		More detail
<b>Commercial case</b>			
Number of parties	1	↔	>3
Procurement experience	Procured before	↔	Never procured
Risks and allocation	Clear and obvious	↔	Shared and need defining
Market assessment	Sufficient capacity	↔	Limited capacity
Procurement route	Framework	↔	Negotiated deal
Contract conditions	Standard, used before	↔	Modified, complex
Payment mechanisms	Cost reimbursement	↔	Target price
Incentives	None	↔	Pain / Gain
Assurance required	Minimal	↔	Independent
Value added	Minimal	↔	Multiple opportunities
<b>Management case</b>			
Technical complexity	Low	↔	High
Novelty	No novel aspects	↔	Little experience
Delivery risks	Few and manageable	↔	Many, likely, resource hungry
Dependencies	Few	↔	Many
Delivery model	Single body	↔	Multi-party
Project team	1-3	↔	>5
Project model	Single	↔	Part of a programme
Stakeholders	Passive management	↔	Active management
Assurance required	Minimal	↔	Independent
Benefits	Clear, concise, measurable	↔	Multi-faceted