

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

DRAFT

VERSION CONTROL

Document version	Publication date	Description of changes	Modified by
1	8 th March 2021	First release of the <i>Stage 2 – Business Case Template</i>	TFDP
2	25 th March 2021	Updates to the Strategic Case, Financial and Commercial Cases to provide additional context and guidance for these cases	TFDP
3	24 th 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 th 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

This document sets out the FBC for an £8m Towns Fund investment in a Digital Manufacturing and Innovation Centre (DMIC). This investment will develop a new 2,500m² facility which will provide flexible office and workspace for start-ups as well as providing support to existing manufacturing businesses. The centre seeks to help develop more innovation within the Redditch economy and encourage productivity growth within the manufacturing sector through, in particular, the development of digital and 5G technologies. It will also provide access to advanced equipment such as 3D printers and offer more opportunities for employees to develop digital skills through on the job learning.

STRATEGIC CASE

The need for the DMIC is driven by a number of key challenges faced by the Redditch economy. The key challenges that it will help to address are:

- **Enterprise deficit:** Redditch suffers from an enterprise deficit, with a low rate of business start-ups (44.6 per 100,000 per annum compared to the national average of 60.4 in 2018¹)
- **Low educational attainment:** Redditch has poor educational outcomes, and a smaller than average population of individuals educated to degree level (27.8% , 12 percentage points lower than the national average in 2018)
- **Aging assets:** The town has a wide range of aging assets which reduce the value of the public realm and overall appeal of the town. This includes the current police station, which will be relocated to allow the current site to be demolished ahead of the development of the DMIC

The DMIC will help tackle these challenges and in so doing will help create a number of new opportunities for Redditch. These opportunities include: retaining more educated young workers; creating more innovation through the provision of a clear focal point in the town; improving digital and 5G connectivity; and increasing employability through the provision of a higher level of digital skills.

It will also contribute to national, regional and local policy drivers, as set out in the table below:

Policy document	Description of policy document
Building Back Better: Our plan for growth, HM Treasury, 2021 ²	This plan is a publication setting out the government's plans to support economic growth through significant investment in infrastructure, skills and innovation.
Levelling Up: White paper (2022) ³	The Levelling Up White Paper outlines the strategy and framework for rebalancing geographical inequality in the UK.
Strategic Economic Plan, Worcestershire LEP, 2014 ⁴	The Strategic Economic Plan highlights the challenges and opportunities in the regional economy, details the plan

¹ Source: Town Investment Plan

² 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/build-back-better)

³ HM Government (2021) Levelling Up the United Kingdom, Available at: [Levelling Up the United Kingdom White Paper \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/levelling-up)

⁴ Worcestershire LEP (2014) Strategic Economic Plan, Available at: [worcestershire-sep.pdf \(lepnetwork.net\)](https://www.worcestershire-lep.net/sep)

	of investment needed to reach the vision, and provides information on how the plan will be delivered.
Plan for Growth, Worcestershire LEP, 2020 ⁵	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
Borough of Redditch Local Plan No.4, 2017 ⁶	The Redditch Local Plan provides a framework approach for growth in the borough and forms part of the Borough of Redditch Development Plan.

Source: Mott MacDonald

The DMIC will provide a focal point for new start-ups within Redditch. It will provide flexible office space for up to 30 start-ups who will be supported by the centre staff, thus helping to improve the likelihood of developing a successful business. The centre will focus on manufacturing and digital connectivity start-ups, helping to create an eco-system for such companies. It will also provide spaces for other innovative companies to hold events or develop prototypes, ensuring the benefit will be felt by a wider range of companies than just those within the centre. It will also allow more workers to engage with high tech digital offerings, thus building their skills sets and increasing their productivity and potential earnings.

The objectives for the DMIC, as set out in the Town Investment Plan (TIP) are as follows:

- 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

The delivery of the DMIC will deliver a range of key outcomes for the Redditch economy. The key outcomes for this project are:

- An increase in the overall number of start-ups (up to 30 at any one time) utilising the DMIC and a corresponding increase in their survival rates
- An increase in the amount of workspace available for innovation, with up to 100 external companies also using this space
- An increase in the overall number of start-ups (up to 30 at any one time) utilising the DMIC and a corresponding increase in their survival rates
- An increase in utilisation of digital channels by businesses in Redditch
- An increase in the number of individuals with relevant digital and entrepreneurial skills

These outcomes will drive a number of wider impacts in the Redditch economy. In particular it will help to drive improved productivity within the manufacturing sector, both directly through an increase in the number of innovative, highly productive start-ups and indirectly, through spill over impacts on other businesses within the wider economy. Improved educational outcomes will also help to drive increased employment rates for young workers, helping to drive an overall increase in Gross Value Added (GVA) in the local economy. Finally it will help improve the wider perception of Redditch, potentially attracting new companies to set up within the local economy.

⁵ Worcestershire LEP (2020) Plan for Growth, Available at: [WLEP-Plan-for-Growth-2020-2040-FULL-VERSION.pdf](#)

⁶ Redditch Borough Council (2017) Borough of Redditch Local Plan No.4, Available at: [Adopted-Borough-of-Redditch-Local-Plan-No4-2011-2030-.pdf \(redditchbc.gov.uk\)](#)

A detailed stakeholder consultation is currently underway to understand local views on exactly how the centre should be run. The DMIC development has also been informed by the detailed stakeholder consultation undertaken during the TIP process.

ECONOMIC CASE

In order to assess the value for money of the proposed DMIC centre three options have been assessed. These are:

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.	Whilst this option does not achieve the objectives, it is included as a comparison to the do something costs and benefits
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: RBC

As is standard in a Cost Benefit Analysis, all costs and benefits are compared to those of the do nothing option. In this case there are no costs or benefits associated with the do-nothing option and therefore it can be excluded from further analysis. It is currently estimated that the DMIC will cost £7.3m to construct (excluding optimism bias and VAT and in 2021 prices). This figure rises to £9.8m when inflation and VAT is included. As this is a fairly standard build, optimism bias has been included at 24%. Construction will begin in 2024 and it is assumed the building will be open and ready to operate at the start of 2026. Once operational, annual operating costs are estimated to be £230,000 per annum by year 10 with revenues (mainly in the form of office space rental) providing £482,000 per annum by year 10⁷ in 2021 prices.

There are two key wider economic benefits which are included within the CBA model. These are:

1. Spillovers: Investment by firms in R&D benefits all firms within the industry, rather than just the initial firms. These spillover benefits are estimated to generate up to £0.50 in the wider economy for every £1 spent on R&D
2. Firm survival: Firms operating within innovation centers have been shown to have a greater survival rate. Firms which survive longer will generate more Gross Value Added (GVA) income to the local economy

On the basis of the costs and benefits set out above, the results of the CBA are set out in the table below:

		Preferred Option - All (£ 000s)
Present Value of Benefits	A	£26,440
Present Value of Costs	B	£11,681
Net Present Value	A-B	£14,759
Benefit to Cost Ratio	A/B	2.3
Value for Money Category		High

Source: Mott MacDonald analysis

In addition to the quantifiable benefits considered above, a number of qualitative benefits have also been assessed. These are:

⁷ Costs and revenues are based on occupancy rates. Year 10 is taken to be the steady state cost and revenues for years 11 – 20.

Impact type	Description	Assessed impact size
Employment	It is estimated that the construction of the DMIC will directly employ 30 FTE over the two year construction window. Of these around an estimated 15 will live in the local economy ⁸ . These 15 jobs will support a further 10 local jobs through the supply chain and through spending in the local economy ⁹ . The operational phase will support 69.4 jobs within the centre (64 working at start-ups and a further 5.4 working for the DMIC itself ¹⁰) of which 23 are estimated to live within Redditch. These 23 will support a further 7 jobs in the wider economy. In addition, the increased productivity driven by the increased innovation will support further jobs within the wider economy. As this is captured by the productivity benefit, an estimate for these jobs has not been provided to avoid double counting.	Large
Education	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. <i>The Department for Education – The economic value of key intermediate qualifications study</i> (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.	Medium
Improved perception of Redditch	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 DMIC 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.	Medium
Improving population retention	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 challenges facing Redditch with stakeholders 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, and the DMIC will be a significant factor in creating these new opportunities.	Medium
Knock on effects of increased economic activity in the long term	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.	Low
Public realm benefits to local economy	The redevelopment of the Police Station site will improve the public realm through the replacement of an old, tired, building with a new high quality one. The location of this site, surrounded by car parks, bulk shops, the Coroners court and a college means that the benefit it not likely to be as large as the other public realm improvements planned for Redditch. As a result this has not been assessed using the VURT ¹¹ .	Low

Source: Mott MacDonald analysis

This shows that the overall value for money case is strong, with a core BCR of 2.3. Sensitivity tests were undertaken to consider the case of significantly higher capital costs (which reduced the BCR to 1.9) or significantly lower spillover benefits (which reduced the BCR to 1.6).

FINANCIAL CASE

This project will be funded by a mixture of Towns Fund and Redditch Borough Council (RBC) funds. In total £8m of Towns Fund monies will be needed to support this project with the remaining funds coming from RBC.

The total capital cost is estimated to be £9.8m for the DMIC project in nominal terms for the construction phase. This is based on high level cost estimates produced by Mott MacDonald. This included an allowance for inflation of £0.77m (an assumed inflation rate of 8.36%) and a 10% risk allowance (£0.83m). £8m of this will be funded by the Towns Fund and the remainder by RBC.

In addition there will be operational costs and revenues. These are set out in nominal prices in the table below

⁸ Based on travel to work data provided by the ONS.

⁹ This assessment is based on Mott MacDonald analysis using Input-Output tables provided by the ONS.

¹⁰ Source: SQW analysis

¹¹ Valuing Urban Realm Toolkit

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Expenditure	£0	£0	£57,896	£317,004	£335,734	£353,806	£367,641	£381,203	£393,943	£407,105
Revenue	£0	£0	£0	£138,000	£188,490	£265,755	£322,901	£383,236	£420,816	£460,307
Net revenue/expenditure	£0	£0	£57,896	£179,004	£147,244	£88,051	£44,740	£-2,033	£-26,873	£-53,202

Source: Mott MacDonald analysis

As can be seen the DMIC will run at a loss until 2031, and that will also require RBC funding. This will be offset, in part, by the operating surplus from 2031 onwards. In total it is estimated that RBC funding of £2.13m will be required over 20 years. On the basis of a 3.5% discount rate this generates an NPV of £1.7m and an IRR of -7.2%.

Further work will be required in order to establish whether other funding sources can be identified to support the development of this project. RBC has agreed to underwrite this project and therefore for now it is assumed that all of the funding will come from the council.

COMMERCIAL CASE

Capital delivery of this project will be led by RBC, in partnership with Worcestershire County Council, working through the North Worcestershire Economic Development and Regeneration (NWedr), which is a shared service between the local authorities of Bromsgrove, Redditch and Wyre Forest. The NWedr will use established commercial structures and approaches aligned with RBC to deliver the project. Operational delivery will be provided by a third-party operator who has the necessary experience and specialist skills and who provide the best opportunity for future success. A contractual arrangement via a Management Agreement is likely to be the most feasible and attractive option which reflects:

- a fixed management fee based on the amount of space under management
- an incentive fee based on a proportion of the annual revenue generated
- all operational costs to be funded by NWedr (staff to be employed by the operator)
- all revenue income (minus the fixed management and incentivisation fees) to be transferred to NWedr.

A key capital delivery issue resides with funding with RBC agreeing to underwrite funding of the project to ensure it is viable. It will not proceed if assessed not to be viable where costs are too high. Long term viability to ensure continuing income and moderating expenses has been addressed with the planned procurement of the specialist operator/manager. The provision of this specialist manager will give industry participants confidence to undertake their work while continuing support programs will be delivered by DMIC Management.

MANAGEMENT CASE

As discussed in the Commercial Case, this project will be split into two components:

1. A capital project
2. Operations management

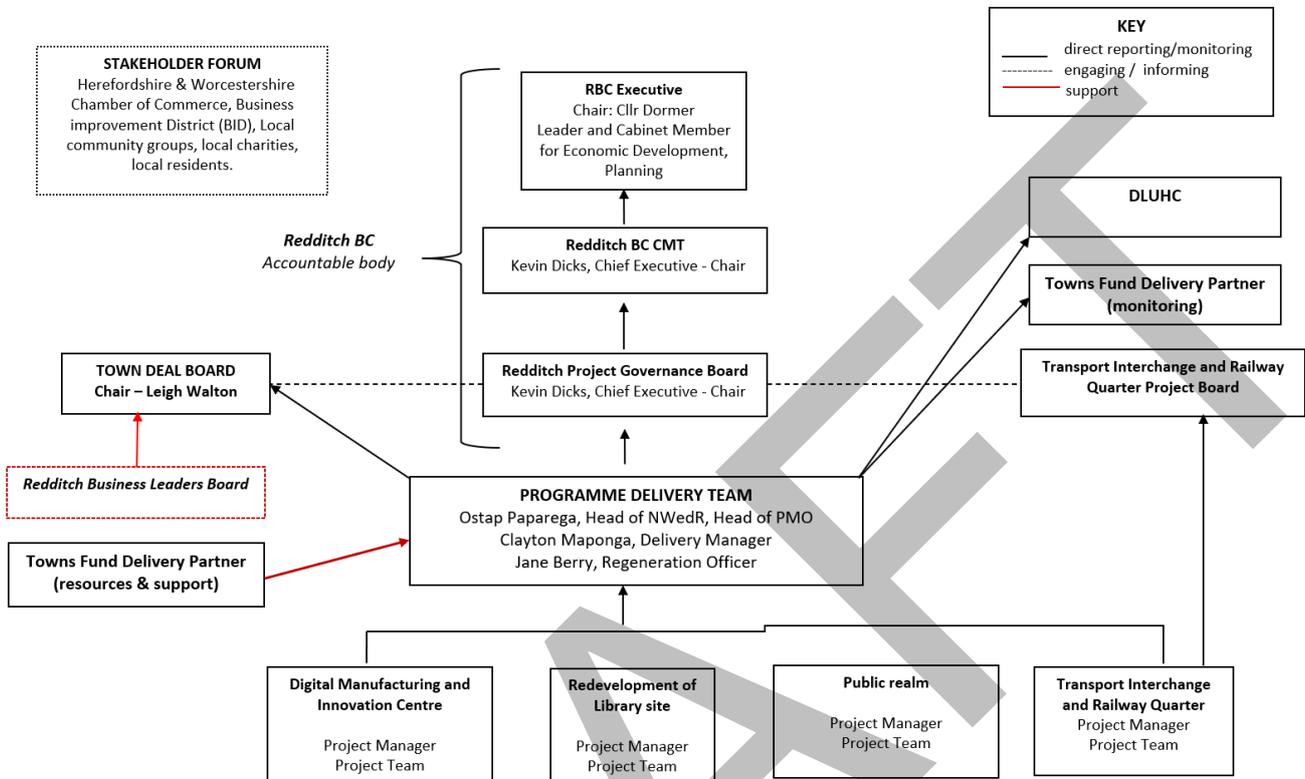
The management requirements for the two phases are separate and are therefore presented independently.

Capital project

The delivery of the construction phase will be overseen by RBC, in partnership with Worcestershire County Council. A project manager will be appointed to oversee the procurement of a consultant team to finalise the designs and to secure planning consent at the site. A project governance structure based on the Association for Project Management best practice and aligned to the Redditch Borough Council (RBC) decision-making processes has been put in place. This structure will ensure that the programme has appropriate decision-making processes in place with defined responsibilities set.

The Governance model for the Redditch Town Deal Programme is shown in the below organogram.

APPENDIX 1 - REDDITCH TOWN DEAL PROGRAMME GOVERNANCE



Source: RBC

There are a number of key risks which will need to be managed as the construction process is undertaken. These are:

Risk Element	Identified risk	Mitigation
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.
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.	10% contingency included at the pre-works phase. Surveys to be commissioned including indicative Demolition Strategy. Ongoing review of the scheme to identify required works.
Design & Planning	Design work is not progressed at an early stage and not in accordance with planning and statutory requirements.	Time contingency to be included in the programme for the design feasibility stage. Ongoing review with the Planning Department to ensure all proposals are acceptable
Contractual	Failure to enter into a suitable and secure	Legal Department involvement. Instruction of external specialists where necessary.

Risk Element	Identified risk	Mitigation
	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.
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.	Officers/police to investigate alternative locations for the Police station should Blue Light Hub not be ready. Ongoing communication with RBC Officers and Police with updates on Blue Light Hub progress.
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 DMIC because of lack of interest or poor quality of applicants.	Soft market testing. Several 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.
Revenue shortfall	Interest and take-up of space does not meet targets and forecast, leading to lower revenues than required in order to cover operating costs	Comprehensive stakeholder engagement process carried out in order to gauge interest and confirm viability of the project once operational

Source: NWedr

The key interdependency for this project is the need for the Police Station currently on site to be relocated and the current police building to be demolished. The relocation of the Police Station is a separate project, however any delay in completing this project will have a significant knock on delay for the development of the DMIC. Assuming that the Police station project is delivered on time, the key milestones for the project are set out below:

Key Milestone	Deadline
TIP submission	22 January 2021
Innovation centre soft market testing (centre operator)	May 2021
Heads of Terms Agreement	June 2021
Innovation centre soft market testing (occupiers)	July 2021
Stakeholder engagement	March 2022
Detailed projects and business case development	June 2022
Agree final projects and funding (Funding Agreement)	August 2022
Detailed design work	December 2023
Construction of DMIC begins	Q1 2024
DMIC opens	Q1 2026

Source: RBC

Stakeholder management will be critical to successful management of the capital phase of the project. Key Stakeholders include Redditch Borough Council, Worcestershire County Council, local business and community groups. A key vehicle for stakeholder engagement has been the Redditch Town Deal Board. Stakeholder feedback and evaluation forms will be used and also stakeholder input at exhibition events will be recorded and the design iterations will be measured / evaluated against the feedback.

Operations Management

A Project Operations Board consisting of key project partners will be set-up and have overall responsibility for the development and implementation of the project. The Board will provide ongoing

strategic oversight and constructive ‘check and challenge’ to the DMIC management team, thus ensuring the successful delivery and operation of the DMIC.

The key roles within this team are set out in the table below:

Key Member (FTE Salary)	Role
DMIC Manager (£40,000)	The DMIC Manager will be able to curate the various facets of the DMIC as an innovation environment, from leadership of the team, to the implementation of marketing activities, negotiation of commercial deals and management of the building. He/she will be responsible for orchestrating all activities taking place in the building, as well as reaching out into the local business community to drive footfall and raise awareness
Innovation Director (£55,000)	Business and innovation support (with a very strong emphasis on Industry 4.0 and digitalisation) will be delivered to customers based within the DMIC through a part time Innovation Director (at 0.4 FTE). He/she should be a high calibre individual, able to work with a range of businesses, drawing on real world experience. They will have a coaching mentality, facilitating the entrepreneurs to assess options and make decisions themselves, rather than telling them what to do. They will develop a network of partners and mentors to work with the tenant businesses, acting as a conduit for communication and collaboration between the IC customers.
Assistant Centre Manager (£30,000)	The Assistant Centre Manager will be responsible for the delivery of the building and the suite of services to a wide range of customers. The individual will have a thorough understanding of the complexities of balancing service delivery, compliance and customer service. They will have overall responsibility for statutory and non-statutory compliance, procuring and managing suppliers to ensure the best possible levels of quality and service delivery
Customer Experience Assistant (£23,000)	This important front of house function for the DMIC will support the community of innovators and entrepreneurs and focus on delivering an exceptional customer experience. They will be the key interface between the customers and the centre team on a day-to-day basis. Daily tasks will include greeting visitors, receiving deliveries, co-ordinating marketing and social media activity, supporting the delivery of events and delivering excellent customer service

Source: SQW

A Monitoring and Evaluation plan has been developed to assess both the capital and operational phases of the work. The M&E objectives for this project are as follows:

- Implementation of the projects and how this impacts the intended outcome.
- Outputs of delivery.
- Outcomes measuring the intermediate effects of the project and what they achieve.
- Reporting the implementation and outputs of the intervention throughout the lifetime of the project and subsequent years after completion.

Guidance for monitoring key benefits and factors for overall success of the project will be developed on initiation of the project. These will be regularly reported on by RBC to the Project Governance Board.

INTRODUCTION

INTRODUCTION

In September 2019, the UK Government invited 101 towns and cities across England to develop proposals for a Town Deal, outlining projects to address local growth constraints and help to level up the UK economy.

Redditch Borough Council (RBC) has developed its Town Investment Plan¹² (TIP), which sets out a long-term strategy for change to drive sustainable and inclusive economic growth and support recovery from the Covid-19 pandemic. The TIP forms the basis of a Town Deal for Redditch between the UK Government, RBC, and the newly formed Redditch Town Deal Board, now agreed in a Heads of Terms.

The next stage is to develop Business Cases for all the schemes agreed within the Heads of Terms, with this document comprising the FBC for the DMIC. RBC will act as both scheme promoter and accountable body.

The Project

A key area of the TIP is supporting and developing manufacturing and innovation within the Redditch economy. The TIP identified a number of weaknesses in the local economy including low skills attainment and a lack of an enterprise culture. A key element of the TIP was to develop an improved digital offer which would include a 5G test bed and encourage digital manufacturing and innovation.

The DMIC was identified as a key element of the TIP. It aims to provide 2,500m² of shared working spaces to support up to 30 innovative start-up companies at a time. In addition the DMIC will provide focused training providing digital qualifications as well as wider business incubator supports such as the provision of maker spaces, containing equipment such as 3D printers for rapid prototyping.

The project will also complement, and is complemented by, the parallel Town Centre Public Realm project.. This project will encompass public realm improvements across key town centre routes such as Unicorn Hill, with these together improving the town's vibrancy and driving social and economic benefits. This project will contribute to the wider public realm improvements through the redevelopment of the site currently occupied by the Police Station, replacing a dated building with a new high status research facility.

THIS FBC

This document forms the FBC for the Redditch DMIC project. It is written to HM Treasury Green Book standards and will be submitted to the Department for Leveling Up, Housing & Communities (DLUHC). The structure is based on the Towns Fund Delivery Partner (TFDP) template for Five-Case Business Cases, presenting the strategic, economic, financial, commercial, and management cases for UK Government investment in the scheme.

¹² [Redditch Town Investment Plan \(redditchbc.gov.uk\)](https://redditchbc.gov.uk)
TFDP Stage 2 – Business Case Template

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 provides the information required to support the case for investment.

Current context and challenges

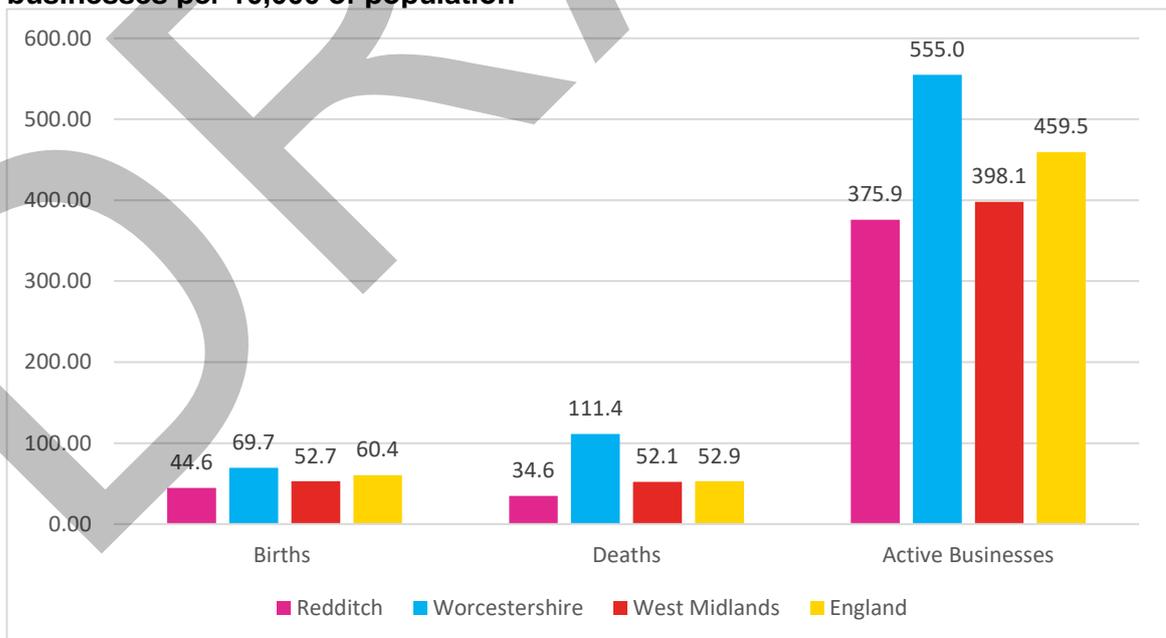
In 1964, Redditch was designated by British planners as a New Town which resulted in a period of major investment. However, following its development as a New Town there has since been a lack of significant regeneration activity in the town centre. The Town currently faces a number of challenges, such 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 region¹³. Low business births lead to a low number of active businesses in the Borough per head of population.

Figure 1: Enterprise Demography 2018, Number of business births, deaths and active businesses per 10,000 of population



Source: Business demography, UK, ONS and Mid-year population estimates, 2019, ONS

- **Retention of young population**

¹³ Business demography, UK, ONS and Mid-year population estimates, 2019, ONS
TFDP Stage 2 – Business Case Template

- Redditch has lower educational attainment compared to English averages. For example, 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. 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 Redditch¹⁴.

• 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. Redditch's public estate is of a generally low design quality and visual appeal, the current Police Station being an example.
- Figure 2 shows the current police station, which is to be demolished prior to the construction of the proposed DMIC on the same site.

Figure 2: Redditch Police Station



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 Dillon¹⁵ 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 analysis¹⁶ 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 services¹⁷. 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 2016-2018¹⁸.

¹⁴ Redditch Towns Deal Community Consultation, Social Marketing Gateway, November 2020

¹⁵ Worcestershire Commercial Property, Market Report 2020, GJS Dillon

¹⁶ Draft Report: Property Market Report, Redditch Town Investment Plan, Aspinall Verdi, December 2020

¹⁷ 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)

¹⁸ From 2016-2018 employment in Manufacturing in Redditch increased by 13%. However, in the same period GVA declined. This suggests falling labour productivity if capital productivity remains constant.

- Skills-4-Worcestershire¹⁹ identify both Advanced Manufacturing and ICT as local growth sectors with increasing demand for skilled labour²⁰. 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.
- There is a perception that Redditch does not offer enough variety in learning and training opportunities, especially for young people. Residents saw this as an area where investment could lead to better learning and career opportunities for people of all ages.

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 neighboring Bromsgrove for example provides managed office spaces to meet needs of local start-ups and small to medium sized businesses²¹. Redditch has no similar offer in the town centre²² 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 rates²³.
- 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 digital 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 UK²⁴.
- 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. 1 One of the focuses of the DMIC will be developing infrastructure to support 5G and full fibre roll-out and this will allow the centre to support manufacturing in taking advantage of this technology.

• 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

¹⁹ A joint initiative by Worcestershire LEP and Worcestershire County Council

²⁰ Worcestershire's Employment Market - Careers Portal (skills4worcestershire.co.uk)

²¹ Bromsgrove Basepoint Business Centres

²² There are two business centres located at out of town locations (Greenlands Business Centre and Heming Road Enterprise Centre) Office space - redditchbc.gov.uk

²³ Oxford Innovation: Business Survival and Growth [OI-Business-Survival-and-Growth-Report.pdf \(oxin-centres.co.uk\)](https://oxin-centres.co.uk)

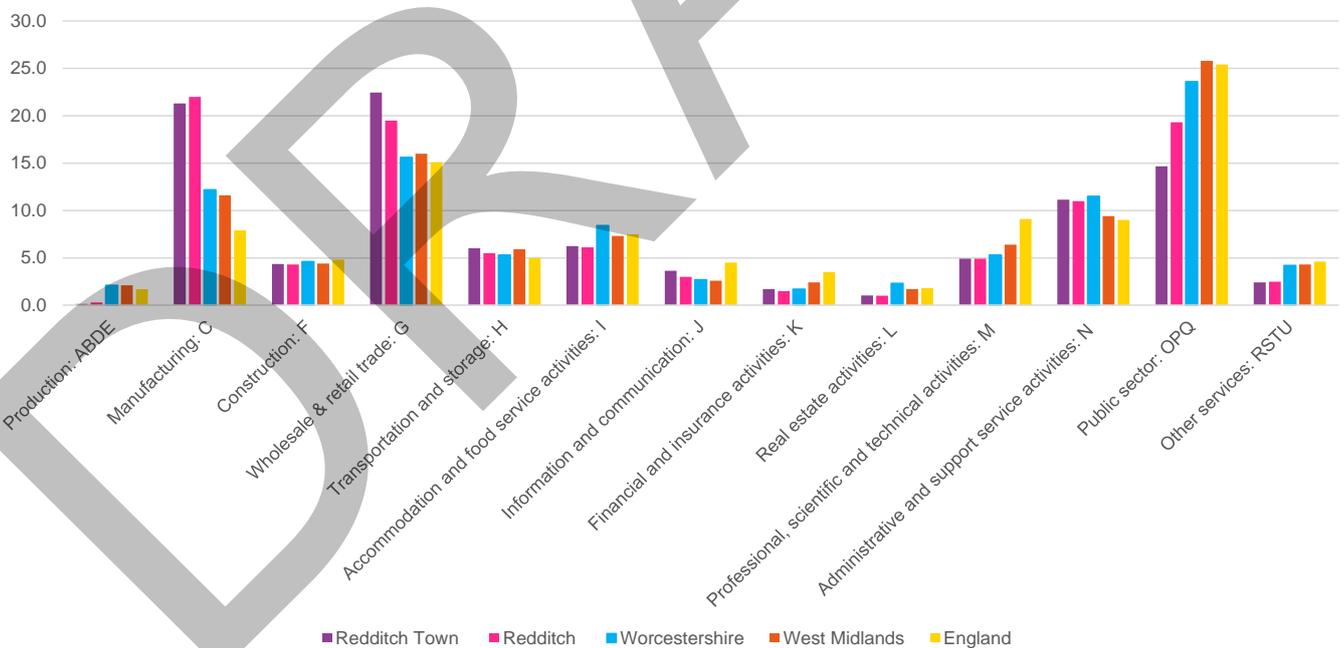
²⁴ Connected Nations Update; Summer 2020, Ofcom 2020

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 has shown strong overall productivity performance since 2011, although experiencing a decline in manufacturing productivity in more recent years. Adoption of digital technologies would generate higher levels of productivity.
- Table 1 shows Redditch Employment Location quotients. Location quotients are ratios that allow an area's, in this case Redditch's, distribution of employment by industry to be compared to a reference area's distribution, in this case England's. A Location quotient greater than 1 indicates an industry with a greater share of the local area employment than is the case nationwide. Manufacturing in Redditch has a Location quotient at 2.7, significantly higher than 1, this suggests a specialism in the sector. There is an opportunity to further develop the sector by implementing new technologies supported by the DMIC.
- 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 of 421 Redditch manufacturing firms 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 1/5th of all employees, see Figure 3

Figure 3: Employees by broad sector, as % of total, 2019



Source: BRES, ONS, 2019.

Table 1: Employment location quotient

	Redditch (% of total Redditch employees) (a)	England (% of total England employees) (b)	Location Quotient (=a/b)
Agriculture, forestry and fishing	0.1	0.7	0.1
Mining and quarrying	0.0	0.1	0.0
Manufacturing	20.5	7.7	2.7
Electricity, gas, steam and air conditioning supply	0.4	0.4	1.0
Water supply; sewerage, waste management and remediation activities	0.2	0.7	0.3
Construction	3.8	4.7	0.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	20.5	15.0	1.4
Transportation and storage	6.4	5.2	1.2
Accommodation and food service activities	3.8	7.1	0.5
Information and communication	3.8	4.6	0.8
Financial and insurance activities	1.5	3.5	0.4
Real estate activities	0.9	1.8	0.5
Professional, scientific and technical activities	6.4	9.0	0.7
Administrative and support service activities	9.0	8.9	1.0
Public administration and defence; compulsory social security	3.2	4.2	0.8
Education	6.4	9.0	0.7
Human health and social work activities	11.5	13.2	0.9
Arts, entertainment and recreation	0.9	2.2	0.4
Other service activities	2.1	2.0	1.1
Total	100	100	1.0

Source: BRES, ONS, 2020

Note: Row highlighted with Location Quotient equal to or greater than 1.

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 under consume education, so the Government can step in to ensure sufficient education provision.

There is an increasing need for digital skills across the UK. Therefore, to ensure that 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**

Research also provides greater public benefit than the private benefit to the company which undertakes the research. This is because new technology and processes can be sold to other companies and new ideas disseminated (for instance by staff moving jobs). This means that an development which increases productivity in one company can spill over into other companies too. Whilst firms who invest in R&D do tend to gain a return on investment, this is less than the social return leading to underinvestment. Government therefore can step in to support R&D and increase the overall societal return.

- **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 supporting 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.

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’²⁵. 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 DMIC 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 2022²⁶. 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 2: DMIC Policy alignment

Policy document details	Description of policy document	Alignment with Digital Manufacturing and Innovation
National Policy		
Building Back Better: Our plan for growth, HM Treasury, 2021 ²⁷	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"> • The Build Back Better initiative lists innovation as a key driver of both economic growth and improvement to living standards • UK Government actively encourages the adoption of digital technologies in businesses within the Build Back Better document.

²⁵ HM Treasury (2021) Build Back Better: Our plan for growth

²⁶ HM Government (2022) Levelling Up the United Kingdom: Executive Summary

²⁷ 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/build-back-better)

Levelling Up: White paper (2022) ²⁸	The Levelling Up White Paper outlines the strategy and framework for rebalancing geographical inequality in the UK.	<ul style="list-style-type: none"> • The Levelling Up White Paper states innovation as key to rebalancing the UK economy, allowing all areas of the UK to prosper • The White Paper also lists the West Midlands as an Innovation Accelerator for the future, in which Redditch resides
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Regional Policy

Strategic Economic Plan, Worcestershire LEP, 2014 ²⁹	The Strategic Economic Plan highlights the challenges and opportunities in the regional economy, details the plan of investment needed to reach the vision, and provides information on how the plan will be delivered.	<ul style="list-style-type: none"> • World class innovation is one of the key themes of Worcestershire's SEP. • The following action areas are listed as core themes to support world class innovation: <ul style="list-style-type: none"> ○ Improving access to finance and providing relevant, timely business support ○ Finding ways to remove the red tape that is restricting growth
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Plan for Growth, Worcestershire LEP, 2020 ³⁰	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"> • 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'. • Stimulating investment in research and development and innovation is listed as one of Worcestershire's headline objectives • The Plan for Growth wants Worcester to become a 'powerhouse' of R&D and innovation.
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Local Policy

Borough of Redditch Local Plan No.4, 2017 ³¹	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"> • 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"> ○ Creating and sustaining a green environment ○ Creating a borough where businesses can thrive • 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.
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Source: Mott MacDonald

VISION AND OBJECTIVES

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

²⁸ HM Government (2021) Levelling Up the United Kingdom, Available at: [Levelling Up the United Kingdom White Paper \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

²⁹ Worcestershire LEP (2014) Strategic Economic Plan, Available at: [worcestershire-sep.pdf \(lepnetwork.net\)](https://www.worcestershire-sep.pdf)

³⁰ Worcestershire LEP (2020) Plan for Growth, Available at: [WLEP-Plan-for-Growth-2020-2040-FULL-VERSION.pdf](https://www.wlep-plan-for-growth-2020-2040-full-version.pdf)

³¹ Redditch Borough Council (2017) Borough of Redditch Local Plan No.4, Available at: [Adopted-Borough-of-Redditch-Local-Plan-No4-2011-2030-.pdf \(redditchbc.gov.uk\)](https://www.redditchbc.gov.uk)

“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 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 DMIC 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 centers will actively support Redditch in addressing the issues listed in the Case for Change.

The objectives of this project, as set out in the TIP, are to³²:

- 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:

- Increased business set up rates: Achieve start up rates aligned to national average rates
- Increased survival rates: Increase the number of start-ups surviving beyond year one
- Commercial viability: Ensure long term viability of the centre through occupancy rates of 90% or higher
- Increased business engagement: Engage with at least 100 firms per annum within the Redditch economy through their use of DMIC facilities
- Increase educational opportunities: Support workers in existing firms to upskill through on the job learning opportunities
- Business satisfaction: Achieve high levels of satisfaction for users of the centre
- Start-up funding: Support start-ups in achieving private and public funding to expand business

THE PROPOSED INVESTMENT

³² Redditch Borough Council (2021) Town Investment Plan
TFDP Stage 2 – Business Case Template

Summary of options considered

The different options considered for addressing the current issues around Redditch's enterprise deficit and the retention of young people, as well as the presence of aging buildings in the town centre, as mentioned in the Case for Change, are listed in Table 3. 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 3: 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.	Whilst this option does not achieve the objectives, it is included as a comparison to the do something costs and benefits
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 sponsor

As is standard in a Cost Benefit Analysis, all costs and benefits are compared to those of the do nothing option. In this case there are no costs or benefits associated with the do-nothing option and therefore it can be excluded from further analysis.

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 4: Project Risks

Title	Description	Mitigating Action
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?
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.	10% contingency included at the pre-works phase. Surveys to be commissioned including indicative Demolition Strategy. Ongoing review of the scheme to identify required works.
Design & Planning	Design work is not progressed at an early stage and not in accordance with planning and statutory requirements.	Time contingency to be included in the programme for the design feasibility stage. Work to be procured now funding award confirmed. Ongoing review with the Planning Department to ensure all proposals are acceptable

Contractual	Failure to enter into a suitable and secure contractual arrangement with construction partners	Legal Department involvement. Instruction of external specialists where necessary. 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.
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.	Officers/police to investigate alternative locations for the Police station should Blue Light Hub not be ready. Ongoing communication with RBC Officers and Police with updates on Blue Light Hub progress.
Relocation of Redditch Library	Existing library is being considered for relocation with the premises also being demolished. The timing of this activity may impact the completion of the project within given timeframes.	Consideration of the potential works and its timeframes during contract discussions. NWedr to monitor at a program level and advise potential impacted parties when relevant.
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 DMIC because of lack of interest or poor quality of applicants.	Soft market testing. Several 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.
Revenue shortfall	Interest and take-up of space does not meet targets and forecast, leading to lower revenues than required in order to cover operating costs	Comprehensive stakeholder engagement process carried out in order to gauge interest and confirm viability of the project once operational

Source: North Worcestershire Economic Development and Regeneration

Constraints and interdependencies

At this stage of the project, it is understood that the development of the DMIC is dependent on the following two elements.

Table 5: Project constraints and interdependencies

Title	Description	Date Raised	Category
Relocation of Police service	Existing police station to relocate to a 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
Public realm and Library Sites	The development of the DMIC Business Case is interlinked with the development of Public Realm and Library site projects. Therefore any delays in completing these projects could have a knock on impact on this project.	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 SMEs that utilise the new workspace, by increasing their resilience, productivity, and competitiveness through the increased

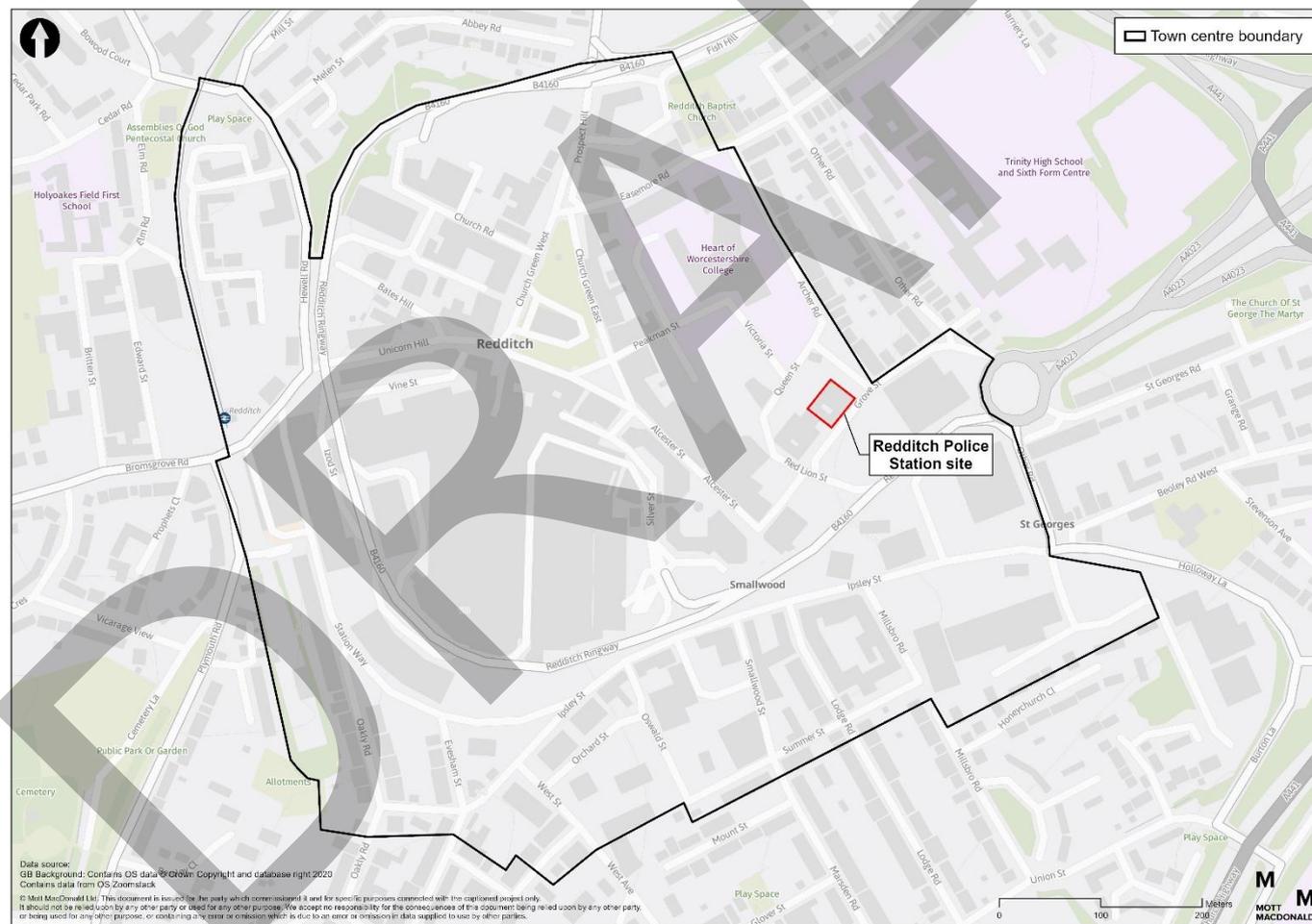
provision of digital innovation support. The Centre will also have a dedicated function to provide necessary digital skills to both young and mature students, ensuring the current and future workforce have the required skillset for the 21st century economy, and encouraging local manufacturers to adopt digital technologies.

The DMIC development, as set out in the TIP, 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 4.

Figure 4: Location of the DMIC site in Redditch Town Centre



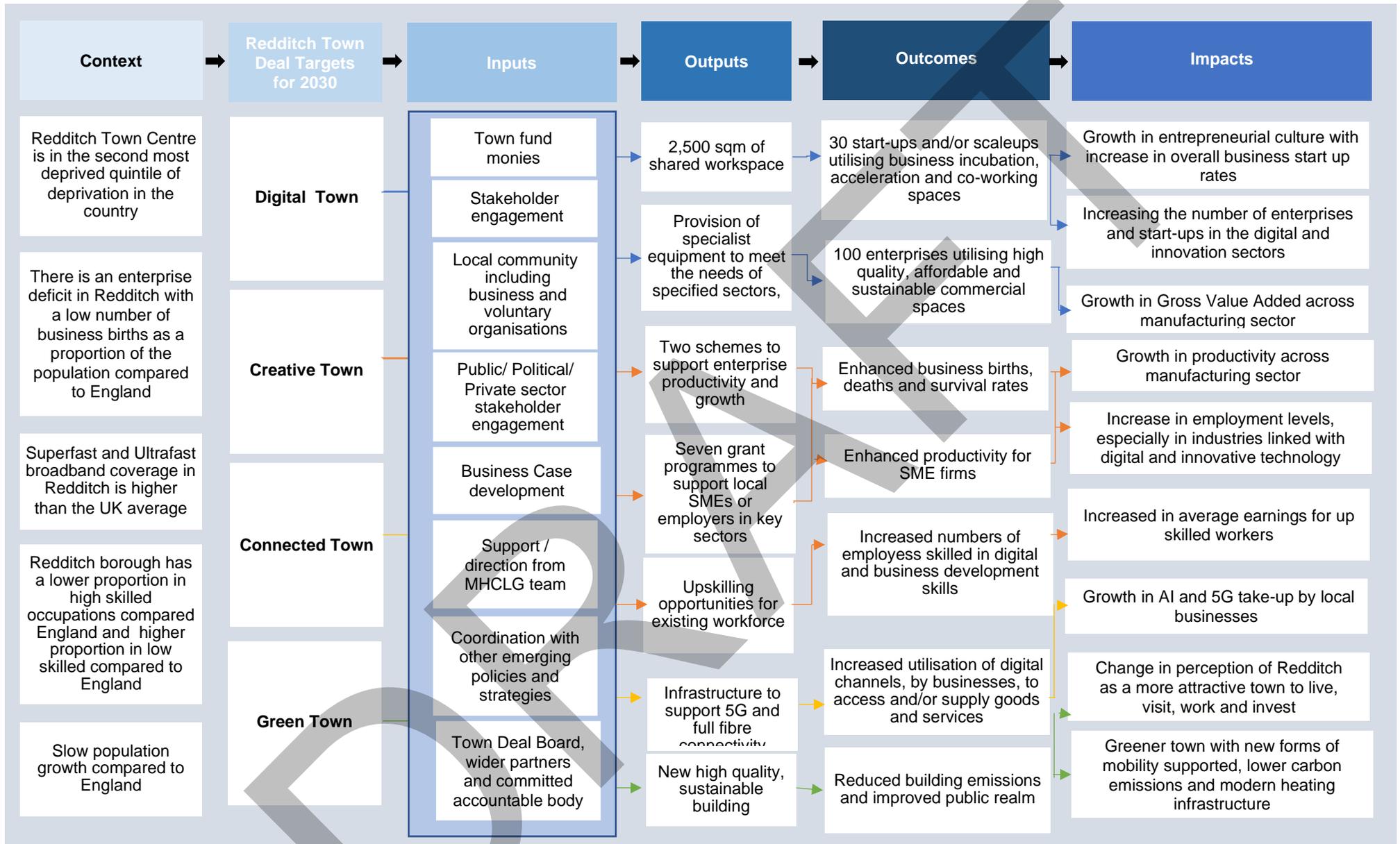
Project theory of change

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 of 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 DMIC. 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.

DRAFT



Source: Mott MacDonald

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, in part, informed by the stakeholder consultation discussed below. This will be completed by the Council during the detailed design stage.

STAKEHOLDERS

A full stakeholder consultation exercise is currently being undertaken by SQW. This will be used to inform the operating principles of the building and help to ensure that the demand and revenue forecasts are robust. This stakeholder exercise includes the use of a survey to reach out to wider businesses as well as direct interviews with local government as well as staff in key manufacturing companies active within the region. The results of this exercise will be available to help inform the detailed design phase of this project.

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

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

The approach to the economic case is based on a combination of quantitative and qualitative analysis, designed to reflect the emerging proposal for the DMIC in Redditch. The quantitative assessment focusses on capturing spillover and business survival benefits, using a Cost-Benefit model. 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 2021 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 Strategic 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

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 DMIC. These are:

- **Research Spillovers:** 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.

Research 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 study¹ 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%.

Benchmarking figures have been used to calculate the number of Start-up staff who could operate from the net lettable area of the DMIC³³. This estimated that a total of 64 FTE employees will, on average, work within the lettable area of the DMIC (taken to be 70% of the total area). The Office for National Statistics (ONS) estimates that an average start-up business employs 2.2 FTEs² meaning that this suggests 29 companies operating within the DMIC at any one time. Based on ONS estimates for turnover per staff for new companies it is estimated that these 29 companies will generate a total turnover per annum of £6.5m.

If all of these companies were involved in R&D spend this would suggest an annual spillover benefit of £3.2m. 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.
2. **R&D involvement:** It is assumed that around 75% 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 25% 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 42%. This means that 58% 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 £1.4m per annum. 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.

³³ These were provided by SQW based on their experience of developing similar Innovation Centres.
TFDP Stage 2 – Business Case Template

The total Net Present Benefit (NPB) of this spillover benefit is estimated to be £20.8m over 20 years.

Business Survival

The first five years for a new business can be highly challenging and many are forced to close within these years. Research³ 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 29 firms assumption, it is calculated that a total of 136 firms will pass through the 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 28 and 29 of these will fail, compared to 42 to 43 if they had not been in the innovation centre. Therefore, it was estimated that 22 firms would continue to exist as a result of the innovation hub over a 20 year period.

The benefit of these 22 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 guidance³⁴, 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 the national 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 is estimated that the NPB of the business survival benefit is £0.5m over a 20 year period.

ECONOMIC COSTS

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

Table 7 sets out the economic costs for the core scenario, undiscounted in 2021 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 phasing.

The discounted costs for the Core Scenario are detailed below in **Table 8**. 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.

³⁴ European Commission (2014) Guide to Cost-Benefit Analysis of Investment Projects, available at: [cba_guide.pdf \(europa.eu\)](https://ec.europa.eu/economy_finance/cba_guide.pdf)

Table 7: Core scenario economic costs (undiscounted, excluding optimism bias, excluding VAT)

Nominal	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	Total
CAPEX														
Building works	£1,991,111	£1,991,111	£497,778	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£4,480,000
Main contractor's preliminaries	£398,222	£398,222	£99,556	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£896,000
Main contractor's OH&P @8%	£191,289	£191,289	£47,822	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£430,400
Project/design team fees @15%	£387,093	£387,093	£96,773	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£870,960
Risk allowance @10%	£296,772	£296,772	£74,193	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£667,736
Total CAPEX	£3,264,487	£3,264,487	£816,122	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£7,345,096
OPEX														
Expenditure	0	0	0	0	37,660	200,197	205,850	210,612	212,473	213,894	214,605	215,315	216,026	£1,726,632
Total costs (ex OB)	3,264,487	3,264,487	816,122	0	37,660	200,197	205,850	210,612	212,473	213,894	214,605	215,315	216,026	£9,071,728

Source: Mott MacDonald, SWQ

Table 8: Core scenario economic costs (discounted, including optimism bias, excluding VAT)

Real & Discounted	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	Total
CAPEX														
Building works	£1,991,111	£1,921,422	£463,543	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£4,376,076
Main contractor's preliminaries	£398,222	£384,284	£92,709	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£875,215
Main contractor's OH&P @8%	£191,289	£184,594	£44,533	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£420,416
Project/design team fees @15%	£387,093	£373,545	£90,118	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£850,756
Risk allowance @10%	£296,772	£286,385	£69,090	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£652,246
Total CAPEX	£3,264,487	£3,150,230	£759,993	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£7,174,710
OPEX														
Expenditure	0	0	0	0	32,658	167,530	166,232	164,125	159,780	155,219	150,284	145,504	140,875	£1,282,207
Total costs (ex OB)	3,264,487	3,150,230	759,993	0	32,658	167,530	166,232	164,125	159,780	155,219	150,284	145,504	140,875	£8,456,918
OB														0.24
Total costs (Inc OB)														10,486,578

Source: Mott MacDonald, SQW

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 2021. The results of the VfM assessment for the overall project for the Core Scenario is outlined in **Table 9** below. The VfM assessment for the DMIC core scenario shows a **BCR of 2.3**. This demonstrates High value for money, significantly above a BCR of 1, and a **Net Present Value of approximately £15 million**.

Table 9: VfM of the core scenario for the DMIC project

		Preferred Option - All (£ 000s)
Present Value of Benefits (£k)	A	£26,440
Present Value of Costs (£k)	B	£11,681
Net Present Value (£k)	A-B	£14,759
Benefit to Cost Ratio	A/B	2.3
Value for Money Category		High

Two sensitivity test have been produced to stress test the analysis with the following assumptions applied:

- **Sensitivity 1** – a 50% optimism is applied to total CAPEX and OPEX (from 24%)
- **Sensitivity 2** – a displacement factor of 50% is applied to the spillover benefits (from 25%)

These sensitivities have been applied to the VfM assessment for the DMIC Scheme, and the results of these assessments are outline in **Table 10** below. The BCR calculation for the DMIC Scheme shows a strong VfM for all sensitivity tests, demonstrating the robust value of this project. Sensitivity 1 – (application of a 50% optimism bias) has a **BCR of 1.9** and a net present value of £12 million. Sensitivity 2 – (application of a 5% displacement factor for spillover benefits) demonstrates a **BCR of 2.7**, as well as a Net Present Value of £20 million.

Table 10: Results of sensitivity analysis

		Sensitivity 1: Increased OB (£ 000s)	Sensitivity 2: reduced displacement factor on spillover benefits (£ 000s)
Present Value of Benefits	A	£26,440	£19,316
Present Value of Costs	B	£14,130	£12,353
Present Value of Other Monetised Impacts	C	£0	£0

		Sensitivity 1: Increased OB (£ 000s)	Sensitivity 2: reduced displacement factor on spillover benefits (£ 000s)
Net Present Value	A-B	£12,309	£6,963
Benefit to Cost Ratio	A/B	1.9	1.6
Value for Money Category		Medium	Medium

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 11: Qualitative Benefits

Impact type	Description	Assessed impact size
Employment	It is estimated that the construction of the DMIC will directly employ 30 FTE over the two year construction window. Of these around 15 will live in the local economy ³⁵ . These 15 jobs will support a further 10 local jobs through the supply chain and through spending in the local economy ³⁶ . The operational phase will support 69.4 jobs within the centre (64 working at start-ups and a further 5.4 working for the DMIC itself ³⁷) of which 23 will live within Redditch. These 23 will support a further 7 jobs in the wider economy. In addition the increased productivity driven by the increased innovation will also support further jobs within the wider economy. As this is captured by the productivity benefit, an estimate for these jobs has not been provided to avoid double counting.	Large
Education	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. <i>The Department for Education – The economic value of key intermediate qualifications</i> 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.	Medium
Improved perception of Redditch	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 DMIC 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.	Medium
Improving population retention	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 challenges 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.	Medium
Knock on effects of increased economic activity in the long term	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 cafés, restaurants, high street shops retail shops and leisure providers who benefit first hand from the increase in spending.	Low
Public realm benefits to local economy	The redevelopment of the Police Station site will improve the public realm through the replacement of an old, tired, building with a new high quality one. The location of this site, surrounded by car parks, bulk shops, the Coroners court and a college means that the benefit it not likely to be as large as the other public realm improvements planned for Redditch. As a result this has not been assessed using the VURT ³⁸ .	Low

Source: Mott MacDonald analysis

³⁵ Based on travel to work data provided by the ONS.

³⁶ This assessment is based on Mott MacDonald analysis using Input-Output tables provided by the ONS.

³⁷ Source: SQW analysis

³⁸ Valuing Urban Realm Toolkit

SUMMARY

The evidence presented above shows that there is a strong case to be made for investing in the DMIC. The preferred option generates a BCR of 2.3. Guidance suggests that any BCR above 2 represents high value for money, and therefore this project generates a strong economic return on investment. Sensitivity analysis shows that even if the capital costs increase significantly, the overall BCR is only reduced to 1.9. At the same time, the R&D benefits could be significantly larger, should the displacement impact be over-estimated. An decrease in this assumption would lead to an even higher BCR of 2.7.

This needs to be combined with the assessment of the qualitative benefits. There are a number of benefits which cannot be included within the CBA, but which form a key component of the case for the DMIC. If it was possible to include such benefits, then the BCR would be considerably higher than the estimate set out above.

On this basis the conclusion of the economic case is that the do something option (develop) the DMIC is the preferred option and should be taken forward.

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

INTRODUCTION

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, 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 £9.8m project.

APPROACH TO FINANCIAL CASE

Redditch Borough Council have considered a range of funding sources and secured public sector funding to support both the capital and early operational phase of the work. The Towns Fund ask represents a gap funding requirement for the project based on the estimated cost of the scheme and alternative available funding sources. As a result, the project cannot proceed without Towns Fund grant funding.

COSTS

The total cost is estimated to be £9.8m for the DMIC project in nominal terms for the construction phase. This is based on high level cost estimates produced by Mott MacDonald. This included an allowance for inflation of £0.77m (an assumed inflation rate of 8.36%) and a 10% risk allowance (£0.83m).

The annualised cost profile is set out below.

Table 12: Annualised cost profile

	Total	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
CAPEX														
Building works	£5,600,000	£2,488,889	£2,488,889	£622,222	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Main contractor's preliminaries	£1,120,000	£497,778	£497,778	£124,444	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Main contractor's OH&P @8%	£538,000	£239,111	£239,111	£59,778	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Project/design team fees @15%	£1,088,700	£483,867	£483,867	£120,967	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Risk allowance @10%	£834,670	£370,964	£370,964	£92,741	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Inflation @8.36%	£767,563	£341,139	£341,139	£85,285	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total CAPEX	£9,948,933	£4,421,748	£4,421,748	£1,105,437	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
OPEX														
Expenditure	£3,914,679	£0	£0	£57,896	£317,004	£335,734	£353,806	£367,641	£381,203	£393,943	£407,105	£420,702	£433,323	£446,322
Total costs	£13,863,612	£4,421,748	£4,421,748	£1,163,333	£317,004	£335,734	£353,806	£367,641	£381,203	£393,943	£407,105	£420,702	£433,323	£446,322

Source: Mott MacDonald

FUNDING AND REVENUES

Funding for the DMIC project will be provided primarily by the Towns Fund along with contributions from RBC, as well as any future private operator that moves in to manage the space. For the purpose of this business case however, it is assumed that the council will cover all operating costs and receive all operating revenues, as no private operator has yet been identified. Further work will be required to establish the shares of costs and revenues which will be met by any private operator contracted to run the facility. This work will be undertaken ahead of any final procurement exercise.

Table 13: Funding sources

Type	Source	Total amount	Status
Public Sector	Towns Fund	£8,000,000	Secured - subject to this business case
Public Sector	Redditch Borough Council	£2,133,129	Secured
Total		£10,133,129	

Source: RBC

Of the £8 million Towns Fund allocation, 100% of the funding request will be allocated towards capital expenditure. Operating costs will be covered wholly by RBC, in so far as a private operator is contracted to manage the DMIC.

The annualised funding summary by source is outlined in Table 14 below. In the interest of simplicity, and, in the absence of detailed information regarding the CAPEX spending plan for each source of funding, it has been assumed, for this business case, that each funding source will be utilised evenly across the construction period, relative to the proportion of total funding that that source accounts for.

AFFORDABILITY ASSESSMENT

As is set out above, the total financial commitment for RBC over 20 years is £2.13m. The total cost over the initial two years of construction and five years of operations are offset in part by the long-term operating surplus from 2031 onwards.

Based on a standard discount rate of 3.5% this generates a NPV for RBC of £1.73m and an IRR of -7.2%.

Further work is required to identify whether alternative funding sources may be available to support the development of the centre. This could include private sector funding brought in via a delivery partner (See Commercial case), based on the potential long run revenue streams. At this moment in time, RBC have agreed to underwrite the funding requirement, ahead of any such investigation being completed.

As the design progresses, further work will be required to fully assess the financial risks of this project and to assess the potential for risk mitigation measures.

WIDER FINANCIAL IMPLICATIONS

There are no wider financial implications associated with the proposed investment.

Table 14: Annualised funding summary

CAPEX	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Building works	£2,488,889	£2,488,889	£622,222	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Towns Fund	£2,001,331	£2,001,331	£500,333	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Reddith Borough Council	£487,557	£487,557	£121,889	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Main contractor's preliminaries	£497,778	£497,778	£124,444	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Towns Fund	£400,266	£400,266	£100,067	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Reddith Borough Council	£97,511	£97,511	£24,378	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Main contractor's OH&P @8%	£239,111	£239,111	£59,778	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Towns Fund	£192,271	£192,271	£48,068	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Reddith Borough Council	£46,840	£46,840	£11,710	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Project/design team fees @15%	£483,867	£483,867	£120,967	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Towns Fund	£389,080	£389,080	£97,270	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Reddith Borough Council	£94,786	£94,786	£23,697	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Risk allowance @10%	£370,964	£370,964	£92,741	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Towns Fund	£298,295	£298,295	£74,574	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Reddith Borough Council	£72,670	£72,670	£18,167	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Inflation @8.36%	£341,139	£341,139	£85,285	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Towns Fund	£274,312	£274,312	£68,578	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Reddith Borough Council	£66,827	£66,827	£16,707	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total CAPEX	£4,421,748	£4,421,748	£1,105,437	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
OPEX													
Expenditure	£0	£0	£57,896	£317,004	£335,734	£353,806	£367,641	£381,203	£393,943	£407,105	£420,702	£433,323	£446,322
Revenue	£0	£0	£0	£138,000	£188,490	£265,755	£322,901	£383,236	£420,816	£460,307	£501,789	£516,842	£532,347
Net revenue/expenditure	£0	£0	£57,896	£179,004	£147,244	£88,051	£44,740	£2,033	£26,873	£53,202	£81,087	£83,519	£86,025
Reddith Borough Council	£0	£0	£57,896	£179,004	£147,244	£88,051	£44,740	£2,033	£26,873	£53,202	£81,087	£83,519	£86,025
Total costs	£4,421,748	£4,421,748	£1,163,333	£179,004	£147,244	£88,051	£44,740	£2,033	£26,873	£53,202	£81,087	£83,519	£86,025

Source: Mott MacDonald

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

INTRODUCTION

The purpose of the commercial case is to set out the procurement arrangements for the project and key commercial activities that will be undertaken to secure an efficient and effective commercial deal. This requires outlining how supplies or services relating to the Redditch DMIC can be sourced in order to assess the feasibility of the commercial delivery of the project. It assesses the underpinning contractual and procurement arrangements required for effective delivery of the DMIC in order to secure long-term beneficial impacts and good value for money during the construction and operational phase of the programme.

Commercial objectives and constraints for agreements and procurements

The commercial objective of this project is to deliver DMIC effectively, using an appropriate public procurement methodology to meet legal requirements, operate a transparent procurement system and to deliver value for money. A further commercial objective is to ensure the DMIC has the appropriate continued management and operations to ensure the best opportunities for success to deliver the overarching project objectives.

Capital delivery of this project will be led by RBC, in partnership with Worcestershire County Council, working through the North Worcestershire Economic Development and Regeneration (NWEDR). The NWEDR is a shared service between the local authorities of Bromsgrove, Redditch and Wyre Forest responsible for the promotion and enablement of growth and development within North Worcestershire.

NWEDR will use established commercial structures and approaches used by RBC to deliver their capital projects.

Operational delivery will be provided by third-party operators who have the necessary experience and skills to attract and support the necessary DMIC tenants. Both the DMIC delivery and subsequent operation models are outlined below.

COMMERCIAL DELIVERABILITY

Commercial Delivery - Capital Project

Successful commercial delivery of the capital project will ensure the project is governed and managed effectively and provide confidence that it will be delivered to time and budget. While the project is multi-faceted, it is relatively straightforward from a funding, procurement, and construction approach, with NWEDR leading the programme delivery and with agreed funding in place, as set out in the Financial Case. A high level summary of the two key participants is included in

Table 15.

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Table 15: Key Participatants and responsibilities

Key Participants	Responsibilities
Redditch Borough Council	Accountable body Delivery of Town Deal Programme Delivery of project outputs and outcomes Delivery of ongoing DMIC operations Delivery of ongoing DMIC café operations
North Worcestershire Economic Development and Regeneration	Programme manager for Redditch 's Town Deal Delivery Reports to Redditch Town Deal Governance Board Day to day contract management of design and construction phase Selection and establishment of the DMIC operator Selection and establishment of the DMIC Café operator

Further information and the broader governance framework is included in the Management Case.

Design and Construction

RBC has decided to deliver the project using a Council led model that is a standard practice by RBC having been used consistently over the last 20 years. To deliver the project, NWedr will select a building company using standard methods of procurement with whom they will negotiate and then commission to undertake the construction work. NWedr is responsible for the overall programme management and guidance of individual projects on behalf of RBC. Overall details of relevant roles and responsibilities, including details of the NWedr and relevant experience are included in the Management Case.

Contract Management

Contract management is the process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk. Contract management for this scheme will include negotiating the terms and conditions in the selected contract and ensuring compliance with those terms, as well as documenting and agreeing on any changes or amendments that may arise during its implementation or execution.

The day-to-day contract management for both the design and construction phase of the work will be managed by NWedr. In addition, the following steps will be taken to ensure effective contact management and delivery of the results expected from the programme.

- As part of the design and project management procurement process, the consultants will be expected to sign the RIBA Standard Professional Services Contract 2018 (Architectural Services) contract. This contract provides comprehensive contract terms and is suitable where the Architect undertakes a commission using a traditional form of procurement.
- As part of the build phase, it is the intention to use the JCT Intermediate Building Contract (IC) 2016. This type of contract allows for NWedr and its design team to provide for detailed contract provisions, with drawings and a specification, work schedules or bills of quantities to define adequately the quantity and quality of the work. It also allows for a contract administrator and quantity surveyor to administer the conditions.
- For both contracts, a clear work specification will be issued prior to appointment which will detail the scope of the work required. When procuring a contractor to build the scheme there will be a clear indication of the quality required when considering the final output. Once a contractor or consultant has been appointed, they will be required to attend regular meetings with the project team to provide an update on progress with the work programmes.
- Changes to the contract: If the contractor/consultant needs to make any changes to the programme, they will be required to formally submit the details of the change and any implications in terms of programme or budget to the project manager via email. The project manager will then consider the change being requested and will respond in writing setting out whether the change has been agreed and if there are any alternative solutions to the issue identified which may reduce the impact on the project.

There are also clear timelines and KPIs which the consultants and build contractor will be required to meet. If these are not being met, the supplier will be required to attend a meeting with the project team to explain their failure to comply with the requirements of their appointment. If a solution cannot be found, consideration will be given to terminating the contract and re-appointing from the framework.

Risk Assessment and Allocation

A project capital risk register has been prepared, identifying who owns the risk, the likelihood and impact of each risk, as well as actions to mitigate these risks. Risks are to be managed through regular reviews of the risk register and identification of potential risks for each component. NWedr will implement a hierarchy of risk management that will eliminate risks where possible, then mitigate any impacts of foreseeable risks. This will be done formally at project site meetings and Project Board meetings.

Table 16: Risk Register & Allocation for Preferred Commercial Structure

Risk Element	Identified risk	Responsible Owner	Mitigation
Funding	Viability gap for development of site	RBC	RBC has agreed to underwrite funding of this project. If costs rise to a point where it is not financially viable, the programme will not go forward.
Planning	Planning permission for site refused	RBC	Work will be undertaken during the detailed design phase to minimise the risk of this occurring.
Project overruns	The development may take longer than anticipated.	RBC	Dedicated and experienced project manager and architect will work with contractors to minimise risk.
Demand	Lack of demand for commercial space results in them not being filled	RBC	The projections in the income and expenditure forecast show a conservative estimate of 30% occupancy in year 1, rising to 90% in year 6. Further work is being undertaken by SQW to test the market and to identify solutions which minimise this risk. Appropriate operations management will give prospective tenants confidence to adopt the DMIC as their new workplace.
Site	Feasibility work identifies factors which result in a need to redesign or delay development	RBC	Further work will be undertaken during the detailed design work to mitigate this risk.
Procurement	Unable to find a suitable contractor through the public procurement process	RBC	RBC will initially, and then continue to, contact organisations who have developed similar institutions around the UK to find recommended parties to approach. This will occur in parallel to the standard public tender approach
Ongoing Viability	Not attracting and maintaining long term innovation focused tenants. Not achieving objectives and township growth.	RBC	Procure specialist operation management who support DMIC ongoing needs. Ongoing support programmes will maintain their relevance and a culture of support and innovation. Creation of a vibrant well designed space that encourages creative and innovative thinking (possibly including on-site café)

If the funding is approved and the development proceeds, all commercial risks rest with RBC. A key feature of the DMIC is to provide 2500 sqm of lettable commercial space but also provide a revenue source for RBC. The process of leasing and managing the DMIC space will be carried out by third party operators, as detailed further below.

Construction Management

The approach to successful delivery of the project is that NWedr will manage the construction works acting as the primary interface between RBC and builders. The contractors will invoice monthly for works undertaken to the NWedr who will review and evaluate delivery through on-site visits. Each package or phase of the works will have a corresponding Purchase Order number from RBC accounts department allowing NWedr to cross-reference and validate. Once NWedr is satisfied with the work undertaken then invoices will be sent to RBC accounts department and RBC will issue a certificate of completion for the respective works.

In the event of a construction cost over-run or failure to meet the specified scope of works by the contractor, NWedr will report to RBC, for action by the Redditch Project Governance Board. Further detail is provided in the Management Case.

Commercial Delivery – Operator

Operator Delivery Model

Three options for the delivery model have been considered as part of the business case development process:

- Option 1 - In-house delivery, through NWedr itself i.e. directly employed staff within the Economic Development and Regeneration team managing and delivering the DMIC
- Option 2 - A third-party specialist operator through a management agreement i.e. paying a fixed fee with the revenue going to RBC [**Preferred Model**]
- Option 3 - A third-party operator through a long-term lease arrangement i.e. paying RBC a fixed fee and taking the revenues.

Choosing the most appropriate delivery model will be key to the success of the DMIC. The first option outlined above, to manage the DMIC in-house, was rejected. The rationale for not proceeding with an in-house delivery model is outlined below:

- During the demand assessment process, it was acknowledged that a specialist operator, with an experienced and appropriately skilled management team with access to shared resources (ideally unlocking economies of scale benefits as part of a UK network of centres), would be substantially better positioned to successfully market the DMIC and deliver tailored innovation and wider business support.
- Given the inherent challenges associated with the commercial property market in Redditch, strong leadership and considerable expertise will be required to cultivate demand and manage the innovation centre effectively – this would not be feasible as a ‘bolt-on’ to an existing staff member’s day job

On this basis, it was decided that a third-party specialist operator with a strong track-record will be procured to operate the DMIC. There are a variety of ways in which an operator can be procured to manage and operate the DMIC, but these can broadly be distilled to ultimately taking the form of a Management Agreement or Lease structure (Option 2 – as noted above).

It is important to note that not all operators will be willing or able to contract on the same basis, and that the risks and rewards for operators will differ substantially between the two structures. Due to the socio-economic context of Redditch at present, it is likely to take some time to deliver financial returns in line with a commercial transaction, consequently operators are unlikely to consider a traditional long-term lease agreement.

Therefore, a contractual arrangement via a Management Agreement is likely to be the most feasible and attractive option. It would consist of:

- a fixed management fee based on the amount of space under management

- an incentive fee based on a proportion of the annual revenue generated
- all operational costs to be funded by the North Worcestershire Economic Development and Regeneration (staff to be employed by the operator)
- all revenue income (minus the fixed management and incentivisation fees) to be transferred to the North Worcestershire Economic Development and Regeneration.

The proposed design and delivery model for the DMIC has taken into consideration industry best practice³⁹, so the project is expected to attract interest from potential contractors and operators.

PROCUREMENT STRATEGY

DMIC Capital Procurement

There are two key construction components:

- Demolition of the existing Police Station; and
- Development of the DMIC

The preferred procurement route is through a framework agreement such as Procure Partnership Framework^s. This is the preferred procurement route for Crown Commercial Services (CCS) and Local Authorities as they comply with all the public procurement regulations, and this also ensures best value for money, fairness, integrity, and transparency.

Procurement policies

Contract Procedure Rules for RBC exist to ensure that the Council lets contracts in a fair, consistent, honest, legal, and transparent manner. There is a statutory basis for the rules which promote good purchasing practice and public accountability. Following the rules is also the best defence against potential allegations that a purchase has been made incorrectly or fraudulently⁴⁰.

WCC and RBC have a range of policies, guidance and requirements that address social value, innovation/modern methods of construction, sustainable development, ethical sourcing. A brief outline is included as follows:

Table 17: Procurement policies

Key Area	Response
Social Value	For all major contracts let by RBC (those of more than £100,000 in total value) we will expect a meaningful contribution to our vision of social value in the county. The council has a statutory responsibility to include social value in its procurement. The Public Services (Social Value) Act 2012 requires the County Council (and all public bodies) to consider how the services they commission and procure might improve the economic, social, and environmental well-being of the local area. The inclusion of social value requirements will be included for all capital and operating contracts where appropriate.
Sustainable development	National Planning Policy Framework Local
Ethical sourcing	Covered Under the Procurement Rules
Achieving Net Zero	WCC and RBC are both committed to achieving net zero by 2050 as indicated in the WCC Corporate plan 2022-2027 and the RBC Climate Emergency Declaration (as below). <i>“Our commitment to reducing our carbon emissions and influencing the reduction of local carbon emissions goes hand in hand with the 'net zero by 2050' target set by the UK Government, a goal that requires us and all sectors to pull together to achieve.”</i> <i>RBC (2019)”</i> .

³⁹ This is based on SQW experience of developing similar offerings for other innovation centres

⁴⁰ [Contract Procedure Rules - redditchbc.gov.uk](https://www.redditchbc.gov.uk)

Key Area	Response
	To help to achieve this the design, development and future operations of the DMIC will be carried out to best address these broad guidelines and follow appropriate environment and sustainability principles and practice.

DMIC Operator Procurement

A third-party specialist operator will be procured to operate the DMIC. Operator procurement will be carried out in line with NWedr requirements and in-house processes.

The preferred tenderer will be required to manage and operate the DMIC, according to the proposal that will be agreed with North Worcestershire Economic Development and Regeneration. Tenders must demonstrate and provide:

- proposed operational and management options for the DMIC, which should include tenant selection and turnover (entrance / exit criteria), support systems, events management, staff roles and responsibilities
- overall financial projections, identifying the process and timescale leading to financial viability
- provision of sample monthly operations and management reports
- projected benefits, for example: income generated by the facility, the potential for job creation and business growth, and wider benefits such as community engagement, knowledge transfer, digital skills development etc.

DMIC Café Operator Procurement

An appropriately skilled and experienced café operator will be procured in the months ahead of the launch of the DMIC. The selection of the Café Operator will be carried out in line with NWedr best practice procurement process.

The café will be expected to operate during weekday working hours (typically from 8:30 – 17:00 Monday to Friday) and provide a range of high-quality food and drink options, including breakfast and lunch menus. Pricing will be agreed in advance with the DMIC operator. The operator will also be expected to provide a catering service where advanced notice is provided, for meeting rooms and events, including evening networking and cluster development events. The operator will be familiar and experienced with all cleaning, health and safety and maintenance regulations and requirements for the café areas. An opportunity may exist for weekend opening to enhance local offerings although this will be discussed with the potential operators and RBC during contract negotiations.

WIDER CONSIDERATIONS

Contract Management Responsibilities

The construction partner, DMIC operator and café operator will each have a nominated responsible officer at NWedr, who will be the contract owner throughout the lifetime of the contract. The contract owner will have responsibility for monitoring:

- Performance against agreed metrics/milestones
- Compliance with specification and contract
- Costs and financial forecast
- Value for money requirements
- User satisfaction
- Risk management
- Any health and safety legislation compliance
- The risks of fraud and misappropriation
- Informing the procurement team of awarded contracts for the contract register
- Social value outcomes, reviewed against commitments outlined within contractual agreements

- Accuracy of financial performance data for suppliers in relation to all contracts in excess of £50,000 with the agreement of open book accounting

Packaging of Works

Given the scope and potential scale of the broad Town Fund programme, the Town Deal Board is continuing to consider potential packaging of works to drive improved value for money. This is currently being considered during the project planning stages and will consider funding organisation delivery timescales.

Interdependencies

There are three current projects that are the focus of the current Town Fund submission that are independent but assume the DMIC development. However, there are external dependencies i.e., the Police Station and Library must be relocated to new locations before the DMIC can be developed on site.

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.

INTRODUCTION

This section outlines the management arrangements in place for delivering, monitoring and evaluating the Redditch DMIC capital project. This section also outlines the proposed management arrangements for the delivery and future operation of the DMIC. As identified in the Commercial Case, the ongoing success of the DMIC will be highly influenced by the selection of an appropriate operations and management model. **Given its importance, details have been included as a separable component at the end of this Management Case.**

North Worcestershire Economic Development and Regeneration (NWedr) will put in place a dedicated programme and project management structure to ensure that the DMIC project can be delivered to time, quality and budget. NWedr will have overall responsibility for delivery of the project, which will be overseen by the Town Deal Board.

The NWedr project team has a strong track record of delivering relevant infrastructure projects to budget and timescale on behalf of accountable bodies with grants ranging from £3m to £20m. In recent years they have delivered a number of relevant projects aimed at revitalizing the local economy as outlined below:

- Bromsgrove Town Centre – £14.5m, Levelling Up Fund funding a 3,000 sqm flexible workspace and cultural hub on the former Market Hall site. It will deliver site infrastructure and enabling works to unlock a key town centre site for a residential-led mixed-use development as well as comprehensive public realm improvements.
- Kidderminster Town Centre - £38.4m from the Future High Street Fund (£20.5m) and Levelling Up Fund (£17.9m) to support converting the Grade II listed former Magistrates Court building into a 5,000 sqm Creative Hub, including 1,000 sqm of covered multi-purpose event space.

PROJECT ORGANISATION AND GOVERNANCE

DMIC Capital Project

The delivery of this scheme will be overseen by RBC, in partnership with Worcestershire County Council. A project manager will be appointed to oversee the procurement of a consultant team to finalise the designs and to secure planning consent at the site.

The team would also be required to assist the tender process for a contractor to deliver the works, through providing technical expertise and tender documentation. Finally, the contractor team would be retained to provide project assurance through the delivery phase of the works.

A project governance structure based on the Association for Project Management best practice and aligned to the RBC decision-making processes has been put in place. This structure will ensure that the programme has appropriate decision-making processes in place with defined responsibilities set.

RBC will act as the accountable body and be responsible for:

- Developing a delivery team, delivery arrangements and agreements
- Developing agreed projects in detail and undertaking any necessary feasibility studies
- Helping develop detailed business cases
- Monitoring and evaluating the delivery of individual Towns Fund projects
- Submitting regular monitoring reports to Towns Fund
- Receiving and accounting for the Town's funding allocation
- Ensuring that decisions are made by the board in accordance with good governance principles
- Ensuring transparency requirements are met
- Undertaking any required Environmental Impact Assessments or Public Sector Equalities Duties
- Liaising with potential private investors in identified local projects and schemes

The Redditch Project Governance Board has a strategic role to play in the management of the project that includes several responsibilities / accountabilities. Specifically, the Board:

- Provides overall strategic direction and guidance, including inputs to context beyond the project, such as synergies with other council or partners' projects / interventions.
- Ensures cross-functional representation from Redditch Borough Council, project delivery partners and key stakeholders.
- Is responsible for the overall success of the project (i.e. delivery project outputs and outcomes).
- Ensures appropriate programme and project management processes, systems and procedures are implemented.
- Makes key decisions and is responsible for the commitment of resources (including external funding) to the projects, including taking reports to Cabinet Members, Boards.
- Signs off the completion of each project stages and authorises the start of the next stage (gateway approval).
- Resolves escalated issues and risks from the Project Delivery Team (i.e. which cannot be resolved by the Project Manager).
- Sets project tolerance levels.
- Approves project scope, budget and timeframe.
- Approves major changes to the project scope, budget and duration.
- Approves the key stakeholder and public engagement strategy and programme.
- Approves Project Highlights Reports.
- Approves the End Project Reports.

Redditch Town Deal's delivery will be managed by NWedr. NWedr have set up the Programme Management Office (PMO), which will use a cloud-based project management software – Verto - to manage the project delivery. Verto is aligned with the Association for Project Management's Book of Knowledge 7th Edition. Each project will develop the following project management documentation hosted on Verto:

- Project plans / Gantt charts (key tasks, milestones and dependencies)
- Project budgets
- Action logs
- Risk logs
- Issue logs
- Change requests
- Highlights reports
- Evaluation reports

The Head of NWedr will act as the Head of PMO and will be supported by the NWedr Delivery Manager and the NWedr Regeneration and Implementation Manager. The team has experience in delivering similar programmes and projects on behalf of accountable bodies with grants ranging from £3m to £20m, as described earlier.

ASSURANCE

Project sponsors will report on progress to RBC officers who will be responsible for briefing the RBC Executive and the Town Deal Board as appropriate.

Key project monitoring and assurance steps are as follows:

- Project Managers submit Project Highlights Reports to the Programme Management Office (PMO) on a monthly basis.
- PMO submits Programme Highlights Reports to RBC Project Governance Board every six weeks
- PMO presents updated programme issues logs and risk logs at RBC Project Governance Board meetings
- PMO submits quarterly progress update reports to Town Deal Board
- Grant claiming - A Town Deal programme cost centre (income and expenditure codes) will be created by RBC Finance
- Project cost centers (income and expenditure codes) will be set up by RBC and WCC for each of their projects. Project expenditure will be covered / provided by RBC and WCC for their own respective projects and claimed from the Town Deal programme in arrears. Once the claim forms are approved by the PMO, the funding is transferred from the Town Deal programme cost centre to the individual project cost centers



SCOPE MANAGEMENT

The scope of the project is described more fully in the strategic case and involves the creation and ongoing operation of a DMIC.

RBC has responsibility specifying, reviewing, and approving the detailed design issued under building contracts for general conformity to specification requirements and see that the dates for production and approval of design information are met. RBC will establish and maintain appropriate project management procedures and lines of communication for the exchange of information between consultants and contractors working on the project.

RBC will be responsible for engaging, procuring and managing third parties for the delivery phase of this project, as described above. The procurement arrangements and approach are set out in the Commercial Case.

PROGRAMME/SCHEDULE MANAGEMENT

While the Redditch DMIC project is a standalone project, it is one of 5 projects that form a programme of works in the Redditch Town Investment Plan aimed at revitalising and rejuvenating the town centre and making Redditch a great place to live, work, visit and invest. Therefore, there are synergies between the Redditch DMIC and other TIP initiatives.

The following table shows the indicative schedule for delivering the project.

Table 18: Programme milestones

Key Milestone	Deadline
TIP submission	22 January 2021
Innovation centre soft market testing (centre operator)	May 2021
Heads of Terms Agreement	June 2021
Innovation centre soft market testing (occupiers)	July 2021
Stakeholder engagement	March 2022
Detailed projects and business case development	June 2022
Preparation of planning applications	July 2022
Agree final projects and funding (Funding Agreement)	August 2022
Detailed design work	December 2023
Construction of DMIC begins	Q1 2024
DMIC opens	Q1 2026
Commence monitoring and evaluation	Q1 2026

Source: RBC

RISK AND OPPORTUNITIES MANAGEMENT

An effective risk management strategy for the project is based on the principles of risk management contained in within PRINCE2 guidance. The project will implement a hierarchy of risk management that aims to eliminate risks where possible, then mitigate any impacts of foreseeable risks. This will be done formally at project site meetings and project board meetings. Due to the complexity of establishing and operating the DMIC, the risks associated with the project will have to be carefully managed.

The procedure for identifying key risks is as follows:

- Assess: assess the risks in terms of their probability and impact on the project objectives;
- Plan: prepare the specific response to the threats (e.g. to help reduce or avoid the threat), or this could also be to plan to maximise the opportunity if the risk happens;
- Implement: carry out the above in response to an identified threat or if one occurs; and
- Communicate: report and communicate the above to relevant project team members and stakeholders.

Table 19: Risk management

Risk Element	Identified risk	Mitigation
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.
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.	10% contingency included at the pre-works phase. Surveys to be commissioned including indicative Demolition Strategy. Ongoing review of the scheme to identify required works.
Design & Planning	Design work is not progressed at an early	Time contingency to be included in the programme for the design feasibility stage.

Risk Element	Identified risk	Mitigation
	stage and not in accordance with planning and statutory requirements.	Ongoing review with the Planning Department to ensure all proposals are acceptable
Contractual	Failure to enter into a suitable and secure contractual arrangement with construction partners	Legal Department involvement. Instruction of external specialists where necessary. 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.
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.	Officers/police to investigate alternative locations for the Police station should Blue Light Hub not be ready. Ongoing communication with RBC Officers and Police with updates on Blue Light Hub progress.
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 DMIC because of lack of interest or poor quality of applicants.	Soft market testing. Several 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.
Revenue shortfall	Interest and take-up of space does not meet targets and forecast, leading to lower revenues than required in order to cover operating costs	Comprehensive stakeholder engagement process carried out in order to gauge interest and confirm viability of the project once operational

Source: North Worcestershire Economic Development and Regeneration

PROJECT MANAGEMENT

RBC's approach to project management is based on a clear structure with lines of accountability running throughout the delivery team, connecting each part of the team to senior leadership within RBC, enabling monitoring of progress, accountability and the ability to escalate issues where required. RBC has a long track record of delivering successful projects across a number of portfolios using this structured approach to project management.

RBC is putting in place a dedicated programme and project management structure to ensure that the interventions set out in the Town Investment Plan can be delivered to time, quality and budget, as part of the wider masterplan. The proposed management structure for delivery of the programme is detailed below.

A designated Project Manager will manage the project on a day-to-day basis on behalf of Redditch Borough Council, with the primary duty of delivering the project within the required constraints of quality, cost, time, and risk. The Project Manager will also be tasked with ensuring that the project can achieve the benefits defined in the project brief. As the primary project lead, the Project Manager is responsible for managing the drawdown of professional fees and monitoring the performance of external consultants against their appointment criteria.

This will include the use of a Project Plan (Microsoft Project), Communications Plan, Risk and Issue Logs which will be maintained by the Project Manager.

The Project Manager will be responsible for overseeing the management of the project to ensure compliance with RBC's governance arrangements. This includes:

- Approving the appointments of consultants and contractors (within delegated authority) and taking an active involvement in the appointment process.
- Maintaining at all times, on behalf of the Project Board, an overview of the project in relation to the business case.
- Informing and working with the stakeholders and other client departments.
- Ensuring that each Project Team receives decisions and instructions from the Project Board on time.
- Establishing an agreed approach to major issues that arise (particularly risk assessment, value management and change control).

STAKEHOLDER ENGAGEMENT

Key Stakeholders include Redditch Borough Council, Worcestershire County Council, local business and community groups. A key vehicle for stakeholder engagement has been the Redditch Town Deal Board whose membership is outlined below:

Table 20: Identified stakeholders

Name	Organisation
Leigh Walton (Chair)	Redditch Community Forum / Redditch Resident
Clr Matthew Dormer	Leader - Redditch Borough Council
Kevin Dicks	Redditch Borough Council
Ostap Paparega	North Worcestershire Economic Development & Regeneration
Rachel Maclean	Redditch MP
David Mitchell	Mettis Aerospace
Gary Woodman	Worcestershire LEP
Tim Martin	West Midlands Combined Authority
Annette Daly	YMCA
Penny Unwin	Worcestershire County Council OPE
Simon Geraghty	Leader – Worcestershire County Council
Shanaaz Carroll	Greater Birmingham & Solihull LEP
John Hobbs	Worcestershire County Council
Peter Sugg	Young Solutions
Julia Breakwell	HoW College
Ian Smith	Cities & Local Growth Unit
Rebecca Collings	Towns Fund Delivery Partner
Other officers / partners as agreed and required	

Source: RBC

Once the design teams are in place, there will be an extensive public and stakeholder engagement process so that that the community, business and other relevant stakeholders can provide input and feedback into the development of the DMIC.

Stakeholder feedback and evaluation forms will be used and also stakeholder input at exhibition events will be recorded and the design iterations will be measured / evaluated against the feedback.

In addition, detailed stakeholder engagement has already been started and is being undertaken by SQW to engage with the local business community. This is looking to understand the

demand for space within the DMIC and any other considerations which will ensure the success of the centre. This is to inform the detailed design stage work and mitigate risks against low occupancy rates due to an unsuitable ethos or design.

BENEFITS, MONITORING AND EVALUATION

Approach

Monitoring and evaluation are essential parts of any project. It provides an opportunity to improve performance by reviewing past and current activities, with the aim of replicating good practice in the future and eliminating mistakes in future work. The RBC has a responsibility to report on how funding is being utilised for this scheme and how its expenditure represents value for money to the taxpayer and how spending aligns with the main objectives of the scheme.

Tracking and reporting

In order to monitor the delivery of the scheme correctly, the RBC proposes to create a detailed monitoring and evaluation plan so that benefits can be monitored and reported from when the DMIC first opens in Q1 2026. Monitoring and evaluation plans will be published on the RBC website and will be available to the public.

Data will be collected on a number of key metrics relating to Redditch DMIC, including occupancy, employment, commercialisation and turnover. It will be the responsibility of the Programme Manager to collate the annual data for the purposes of delivering the monitoring and evaluation report at project close. A proportionate approach to Monitoring and Evaluation will ensure value for money, utilising existing data to deliver efficiency for both the Redditch Borough Council and the Town Investment Plan.

Sstrategy for monitoring and evaluating benefits realization

Monitoring and Evaluation (M&E) is essential for any publicly funded project. It provides an opportunity to improve performance by reviewing past and current activities, with the aim of replicating good practice in the future and helping to prevent mistakes in future similar work. RBC has a responsibility to report on how funding is being utilised for this scheme and how its expenditure represents value for money to the taxpayer and how spending aligns with the main objectives of the scheme.

RBC is committed to the ongoing monitoring of the impacts of the schemes that it introduces to ensure that benefits are realised, impacts are identified, and any unforeseen effects are understood. In the case of Redditch DMIC, the monitoring and M&E arrangements will include reporting against the project's business plan and financial performance, as well as the required construction monitoring and evaluation. The design of the M&E approach will be proportionate to the size of the investment, the risks, and the uniqueness of the project as well as being aligned to the requirements of other funding agencies.

The M&E objectives for this project are as follows:

- To articulate a clear set of benefits, outputs and outcomes to create a base from which to assess success
- Provide guidance to expected short, medium and long term metrics against which to assess project performance.
- To report the implementation and outputs of the intervention throughout the lifetime of the project and subsequent years after completion.

The Redditch DMIC project will be monitored throughout its life course following the logic model developed for the scheme and associated indicators. In order to monitor the delivery of the scheme correctly, RBC proposes to:

1. Create a detailed monitoring and evaluation plan prior to the end of the DMIC detailed design in December 2023;
2. Publish the monitoring and evaluation plan on the Council website so as to be available to the public;
3. Provide progress reports on the evaluation process throughout the project lifecycle through its rigid management structures; and
4. Provide an initial report based on data collection annually throughout the project lifecycle.

Guidance for monitoring key benefits and factors for overall success of the project will be developed prior to the initiation of the project. These will be regularly reported by RBC to the Project Governance Board. **Table 21** sets out a high level structure for gathering, assessing and monitoring benefits and outcomes. The individual measures, risks and critical success factors will be set out at project initiation.

Table 21: Benefits and Indicative Outcomes

Benefit	Indicative Outcome
Business Startup and Survival	2,500 m ² of high quality affordable commercial floor space
	Business and incubation support
	Enhanced business births, deaths and survival rates
	Enterprises and start-ups have access to facilities and floorspace to operate
	Capacity for 30 start-ups to utilize business incubation, acceleration, and co-working spaces
	100 wider enterprises utilising the high quality, affordable and sustainable commercial spaces for events and the like
	Growth in AI and 5G take-up by local businesses
	Increase in average earnings for upskilled workers
	Growth in productivity
	Increasing the number of enterprises and start-ups in the digital and innovation sectors
	Increase in number of learners gaining relevant digital skills/experience for employers
	Increase in employment levels, especially in industries linked with digital and innovative technology
	Change in perception of Redditch as a more attractive town to live, visit, work, and invest
	Reduced building emissions and improved public realm
	Improved township activity and vibrancy

Source: Mott MacDonald

DMIC OPERATIONS MANAGEMENT

An essential management component that will contribute to the success of the DMIC is the provision of a specialist long term operator and manager. With this in mind the information below has been presented as a stand alone component of the overall Management Case. As outlined in the Commercial Case, a specialist third party operator will be brought in to maintain and operate the facility and its business on RBC's behalf.

Management and Governance Arrangements

As outlined in the Commercial case, potential risks reside with both demand and ongoing viability of the DMIC. In response to this a dedicated DMIC Operations Board (the 'Board') is to be created, consisting of key project partners and key individuals and who will have overall responsibility for the implementation of the project. The Board will provide ongoing strategic oversight and constructive 'check and challenge' to the DMIC management team, thus ensuring the successful delivery and operation of the DMIC itself. While the composition and terms of reference for the Board may need to evolve to reflect this responsibility, it will be important that strategic oversight is a partnership endeavour, to ensure that innovation related growth opportunities and collaborations across Redditch and neighbouring areas are maximised. In terms of continuity with the Existing Town Deal Board, it is anticipated that one or more existing members will be an active member in this new operational board.

The DMIC operator will be identified through a procurement exercise to attract a high-quality third-party operator. This will take place prior to the appointment of a design team to give the operator the possibility to apply its expertise, knowledge and experience to the DMIC design process. It will be important for the DMIC operator to be engaged fully with the wider business support and innovation landscape across Redditch.

We anticipate that the Board will be established prior to the completion of the construction phase (to oversee the pre-launch mobilisation and marketing programme). It will be tasked with ensuring that the DMIC maximises cluster development opportunities, builds synergies with complementary initiatives in the surrounding areas (such as the Worcestershire Innovation Network, the BetaDen Technology Accelerator and the UK 5G testbed at Malvern Hills Science Park etc.) to drive digital innovation-led growth, knowledge exchange and inward investment into Redditch. Importantly, the Board will be responsible for positioning the facility within a broader Worcestershire innovation system.

DMIC Operations Performance Review

The Board will review the performance of the DMIC and advise how performance can be improved in the future. Board members should be encouraged to participate in the programme of business and innovation support, as well as wider cluster development activity managed by the specialist operator.

The Board should also agree any formal changes to entry and exit criteria for the DMIC facility, innovation centre policies and services (although should not be involved in the day-to-day decisions on suitability of companies, since this will cause unnecessary delays in moving companies into the centre).

A draft terms of reference for the Board is presented in the table below.

Table 22: DMIC Board: Draft Terms of Reference

Purpose	To monitor and provide ongoing strategic oversight to ensure the successful delivery and operation of the DMIC against its aims and objectives as set out in: Redditch DMIC Business Case Towns Fund Summary Document Management Agreement with the DMIC operator
Terms of reference	To oversee and monitor the performance of the operator for the DMIC To monitor the performance of the DMIC against its key objectives and targets To monitor the financial performance of the DMIC in terms of operating income/costs and cashflow To set and monitor the strategic direction for the DMIC To maximise cluster development and innovation related opportunities and build synergies with complementary hubs and initiatives elsewhere in Worcestershire and surrounding areas To agree and monitor the delivery of the marketing strategy for the DMIC, including its position within the wider Worcestershire innovation economy To agree formal changes to entry and exit criteria to the facility, DMIC policies and services.
Chair	A Chair from the private sector will be appointed in a clear and transparent manner. The primary responsibilities of the Chair will be to provide leadership for the DMIC Board and to enable the Board to fulfil its obligations and responsibilities in relation to the strategic direction and governance of the DMIC. The Chair's term will be for three years with the option to stand for re-election thereafter. On the retirement of the Chair, the DMIC Board will be responsible for appointing a new Chair through processes agreed when the Board is established.
Board Membership	Board members will comprise private companies, the public sector and organisations engaged in DMIC activities including entrepreneurship and innovation support (with a strong focus on Industry 4.0 and digitalisation).
Length of Appointment	Board members will serve for three years with a potential option to stand for re-election should the Board approve. Board members will normally serve no more than two terms.
Conduct of Board Members	In addition to attending meetings, Board members are expected to act as ambassadors for the DMIC: For example, this may include: attendance at networking events or conferences participation in, and promotion of, the DMIC's activities (e.g. business advice, incubation, entrepreneurship and innovation support) contribution to promotion and marketing participation in wider cluster development activity
Conduct and frequency of meetings	All relevant papers will normally be sent electronically to board members at least five working days before the date of the meeting. Draft minutes will normally be sent to board members within ten working days of the relevant board meeting for comment and will remain in draft form until formally approved at the subsequent board meeting. The Chair will be responsible for setting the agenda of the meeting. All matters requiring decisions of the Board will be decided by a simple majority of votes with the Chair carrying the casting vote. Meetings will be held quarterly.

Delegation of powers	In the event that a Chair is unable to attend, it is expected that the Chair will nominate a board member, to act in that capacity in their absence.
Quorum	The Chair and at least one representative from each of the main stakeholder groups.
Source: Secretariat support	A secretary will be appointed who will be responsible for providing the secretariat and administration e.g. taking minutes, ensuring papers are sent out in a timely fashion, website updates etc.). services to the Board.
Source: SQW	

DMIC Operations Management

At an operational level, the management of the DMIC will be outsourced to a specialist private sector operator with the requisite skills and experience. The approach to procuring a suitable operator is presented in the Commercial Case, but in headline terms, a suitable organisation will be commissioned through an open tender process to ensure good value for money and to attract providers with the required expertise and experience of successfully managing innovation centres elsewhere in the UK.

As set out in the Commercial Case, three alternative management model options were considered during the business case development phase. Two key contrasting options were:

1. Direct management of the DMIC in-house within NWedr
 - All revenues would be retained by RBC/NWedr
 - Any operational losses would need to be covered by RBC/NWedr
 - It is likely to be difficult to secure the breadth of skills and expertise needed to enable the DMIC to reach its full potential given that its success will depend on the active promotion of innovation and the animation of links between local businesses and their supply chains

2. A lease-based model whereby a third party enters into a long-term lease agreement with the RBC/NWedr for the entire DMIC building
 - A third party would need to be secured through an open procurement route
 - The third party would retain all revenue generated, and pay a base rent plus an additional rent based on a proportion of turnover to RBC
 - There would be a medium/ long-term notice period for termination
 - The organisation would be responsible for repairs and ongoing maintenance (sometimes with liability limitation)
 - RBC may lose some control over the DMIC in terms of entrance and exit criteria etc. or the quality of the support provision
 - The third party would cover any operational losses as occupancy and rental income builds.

As previously stated, RBC/NWedr does not currently have the necessary capacity and capabilities needed to manage the DMIC effectively. It is unlikely that a suitable operator would be interested in taking a long-term lease on the facility unless the rent is heavily discounted, an anchor tenant can be found and/or there is a sharing of risk with the Council. Therefore, at this stage, the preferred (**and third**) management model is to outsource delivery to a specialist

private sector operator through a balanced management contract that shares the risk/reward with the operator.

Within this third model, the operator will provide professional, ongoing, day-to-day management of the DMIC, including marketing and promotion, customer experience, administration, and digital innovation and entrepreneurship support. RBC/NWedr will be the contracting authority and a legal management agreement will be established between RBC/NWedr and the selected operator.

Quarterly meetings will be held between the management team and the DMIC Project Board to review delivery progress (e.g. expenditure, take-up of space, planned marketing and promotional activities).

DMIC Operator Staff Structure

As set out in the Commercial Case, a third-party specialist operator will be responsible for day-to-day management of the DMIC. The team managing the DMIC will be crucial to the success of the facility. The Team's role is far more than just selling space and managing the facilities; it is key in positioning the DMIC within the local business and innovation landscape; facilitating interactions between customers and local residents, ensuring that the building can become a central hub for networking, events, work experience and collaboration, and an attractive focal point for digital innovation and enterprise activity.

The proposed staffing structure for the facility is summarised in the table below:

Table 23: Key roles in DMIC operation

Key Member (FTE Salary)	Role
DMIC Manager (£40,000)	The DMIC Manager will be able to curate the various facets of the DMIC as an innovation environment, from leadership of the team, to the implementation of marketing activities, negotiation of commercial deals and management of the building. He/she will be responsible for orchestrating all activities taking place in the building, as well as reaching out into the local business community to drive footfall and raise awareness
Innovation Director (£55,000)	Business and innovation support (with a very strong emphasis on Industry 4.0 and digitalisation) will be delivered to customers based within the DMIC through a part time Innovation Director (at 0.4 FTE). He/she should be a high calibre individual, able to work with a range of businesses, drawing on real world experience. They will have a coaching mentality, facilitating the entrepreneurs to assess options and make decisions themselves, rather than telling them what to do. They will develop a network of partners and mentors to work with the tenant businesses, acting as a conduit for communication and collaboration between the IC customers.
Assistant Centre Manager (£30,000)	The Assistant Centre Manager will be responsible for the delivery of the building and the suite of services to a wide range of customers. The individual will have a thorough understanding of the complexities of balancing service delivery, compliance and customer service. They will have overall responsibility for statutory and non-statutory compliance, procuring and managing suppliers to ensure the best possible levels of quality and service delivery
Customer Experience Assistant (£23,000)	This important front of house function for the DMIC will support the community of innovators and entrepreneurs and focus on delivering an exceptional customer experience. They will be the key interface between the customers and the centre team on a day-to-day basis. Daily tasks will include greeting visitors, receiving deliveries, co-ordinating marketing and social media activity, supporting the delivery of events and delivering excellent customer service

Source: SQW

DMIC Support Programmes

The DMIC will provide a highly supportive environment for tenants over and above the physical office and workshop space it provides. The DMIC will provide a flexible programme of business and innovation support, with a very strong emphasis on Industry 4.0 and digitalisation. This will be led by the Innovation Director and Centre Manager with support from colleagues and wider partners. The exact nature of the support is dependent on the operator, which is appointed to manage the DMIC, but examples of the broad type of activity within DMIC's programme of support are likely to include:

1. Impartial business advice, business planning, growth and strategy workshops as part of a broad incubation programme offer including activity with local young people / enterprise competitions etc.
2. Diagnostic assessments of business' current innovation status and opportunities to accelerate adoption of Industrial Digital Technologies (IDTs) and new digital skills
3. Manufacturing sector or technology specific/themed workshops
4. Support to design customer and market validation exercises
5. Introductions to private and public funders; introductions to suitable academics, RTOs and other specialist support bodies as part of the commercialisation process
6. Investment pitch preparation
7. Facilitated introductions to other key members of the local innovation system
8. Support in exporting and accessing new markets
9. Information and guidance on intellectual property protection
10. Creating networking events which bring together, in a targeted way, potential innovation collaborators
11. Helping to produce and publicise case studies of DMIC companies' growth and successes to help promote them, the DMIC, and also to act as an inspiration to local entrepreneurs, innovators and investors.

The DMIC aims to provide digital innovation support, open access and specialist technical support to local entrepreneurs and companies (particularly within the manufacturing centre) that want to test and develop 5G-enabled services and applications as well as broader IDTs. As above, the exact nature of the support is dependent on the operator that is appointed to manage the DMIC, but may include support with:

1. The development of digital platforms
2. Expanding use of data to effect behaviour change
3. Incorporating 5G into the business's operations
4. Software development and management
5. Big data management and analytics
6. Supply chain and business model innovation
7. The development of new technologies and standards
8. The adoption of Industrial Digital Technologies, such as:
 - Additive manufacturing
 - Data and systems integration
 - Robotics and process control automation
 - The industrial Internet of Things (sensors)
 - Mobile devices and wearable tech.

It is also important to develop the DMIC as a hub for events, networking and wider community engagement. This requires a programme of events during the day and evening time which will complement the specific business event planning activity. The programme might include:

- Inviting guest speakers to DMIC's social and networking events, organised to animate the DMICs business community, curating activities that are different to the norm, creating a 'buzz' and vibrancy in the DMIC.
- Hosting meetings, conferences and programmes organised by relevant support networks and providers, drawing in a much broader audience than just the SMEs based in the DMIC, including those from across Worcestershire.
- TechFests and hackathons to engage research intensive businesses to showcase cutting edge technologies of the future alongside national sector supporting organisations and industry primes.
- Developing a programme of evening events, making the most of the ground floor café space, and attracting new audiences (particularly from the local area) who would otherwise not use the DMIC.

DRAFT

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.	

DRAFT

Part 1: Project Summary Document

Towns should complete this for each project.

Summary Document table	
1. Project name:	
2. Heads of Terms project conditions <ul style="list-style-type: none">- Actions taken to address any conditions attached to the project in the Heads of Terms, where applicable.- Where the condition was to provide a delivery plan please input in the section below (no.9) and/or attach to this document.	
3. Business case appraisal <p>Provide details of how the business case has been appraised including:</p> <ul style="list-style-type: none">- business case type- any internal or external assurances	
4. MHCLG capital (CDEL) 5% payment <p>Main activities, if applicable:</p> <ul style="list-style-type: none">•••••	
5. Quantified benefit-cost ratio/value for money (e.g. Benefit Cost Ratio or Net Present Social Value) <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>	
6. Deliverability <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:

DRAFT

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**.

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

Annex: submission checklist

Use this as guidance when submitting the Summary Documents.

Items	Checked	Qty
first submission		
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"/>	
all other submissions		
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, behavioral 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?

PROPORTIONALITY ASSESSMENT TOOL

	Less detail		More detail
General			
Project size and value	<£1m	←→	£25m+
Regional and national significance	Local	←→	Regional / national
Innovation	Low	←→	High
Experience delivering similar projects	High	←→	Low / no experience
Strategic case			
Enabler of other projects and transformational change	Local impact	←→	Transformational change
Stakeholder picture	Simple	←→	Complex
Key dependencies with other projects	No dependencies	←→	Strong dependencies
Economic case			
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
Financial case			
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
Commercial case			
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
Management case			
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