



Appraisal of the Nelson YES Hub Towns Fund Proposal

**A Report for Pendle Borough Council and the
Towns Fund Board**

January 2022



Report completed/submitted by:	Daniel Lindsay
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Project Overview and Appraisal Approach

Key Points

- The Nelson YES Hub Phase 2 investment is recommended for approval to the Towns Fund Board.
- There are no substantive conditions for this recommendation, however the Town Fund Board may wish to see written clarification in relation to the £2,000 of capital investment from Pendle Borough Council.
- The project provides a strong strategic rationale for investment. The financial case is clear following clarification with the applicant and the commercial and management arrangements are considered to be proportionate to the investment sought. The project is also expected to deliver 'good' or potentially 'very good' value for money.
- We have provided some more detailed comments on the economic case, but these are reflections for future assessments and do not impact on the recommendations of this appraisal.

Scheme Overview

Project and Funding

Investment is sought from the Towns Fund to extend the provision of a Youth Employability Service (YES) Hub in Nelson Town Centre. Activity will be delivered through the Hub located within Nelson Town Centre (the former Apprentice Training Centre) plus community outreach activity.

Initial activity at the YES Hub (Phase 1) was piloted through funding from DWP and Accelerated Towns Fund investment. This investment focused on the acquisition of the YES Hub Premises, refurbishment of the building, on-going repair and maintenance costs, and the piloting of activity.

The business case for appraisal covers Phase 2 of the YES Hub. Under Phase 2, £420,388 is sought from the Towns Fund to cover the revenue costs relating to the operation of the Hub. This is the value of funding for which Town Board approval is sought at this stage. Alongside this funding, the proposed investment will draw on the following match funding:

- £41,885 from Pendle Borough Council (committed) to cover the running costs of the hub premises.
- £2,000 from Pendle Borough Council (committed) as a contribution to the ongoing capital costs of the hub (i.e. covering ongoing repairs and maintenance).
- £33,715 contribution from the Hub License Holder (currently Nelson & Colne College Group) towards the Hub running costs.

The next phase of investment will also draw on £41,666 from the Towns Fund Accelerated Funding to cover annual capital maintenance costs. It is the appraiser's understanding that this spend has been approved by the Towns Fund Board and lies outside the scope of this assessment. However, as these costs will be incurred over the remaining life of the hub, these costs are included in the Economic and Financial Cases.

Therefore, the total costs of Phase 2 is £539,654. Of this, £462,054 (or 86%) will be funded from the Towns Fund, including the £420,388 (or 78%) contribution to the Hub revenue costs, which is the focus of this appraisal.

Activity and Outputs

Through Phase 2 funded activity, the Hub will support 108 young people each year, working with them to address and remove barriers and social issues to skill development and employment pathways. From this overall engagement, the scheme is expected to deliver the following outputs per year:

- 81 young people will be supported to enrol in education and training (75% of beneficiaries)
- 40 young people will gain qualifications, Levels 1-3 (37% of total beneficiaries or 49% of those accessing education)
- 100 young people benefiting from increased confidence (93% of beneficiaries)
- 44 young people engaging in frequent moderate exercise (41% of beneficiaries)
- 3.2 temporary FT jobs supported during project implementation
- 24 closer collaborations with employers per year

These outputs are expected to deliver £2.2 million of economic benefits as a result of improved qualification levels, increased confidence of beneficiaries, and as a result of improved participation in exercise. This is estimated to deliver a BCR of 3.7:1 which represents good value for money.

These outputs have been informed by the pilot activity, and stakeholder engagement through the pilot period has resulted in the following changes being made for Phase 2:

- Changing the layout and design of the ground floor space
- A bespoke timetable of wellbeing activities for young people
- Awareness raising of the detached youth work model in reaching out to disengaged young people
- Identifying the need for a bespoke, tailored package to support young people on their labour journey

Appraisal Approach

This appraisal has been completed by ekosgen, an independent economic research consultancy specialising in the production and appraisal of business cases. Following receipt of the Business Case and supporting documentation, ekosgen completed an initial assessment against the requirements of the Towns Fund and HM Treasury Green Book before issuing clarifications to Pendle Borough Council and Hatch (the consultancy supporting the development of the business case). A meeting was held between Pendle Borough Council, Hatch and ekosgen to discuss the points of clarification in greater detail, prior to Hatch providing written responses and an update Business Case to the appraisal team. Subsequent engagement was undertaken as necessary to resolve any outstanding points of clarification.

This assessment takes account of the information provided throughout this process and is based on the following documents:

- Stage 2 Business Case - Nelson - YES Hub (updated 4th January 2022)
- Clarification Responses (received 21st December 2021)
- Supporting Appendices, including:
 - Letters of support from DWP and NCCG
 - Letter of Support and confirmation of match funding from Pendle Council
 - Project Delivery Plan
 - Revenue Cost Plan Summary (NTD)
 - Site Plans
 - Equality Impact Assessment
 - Hub Risk Assessment
 - Procurement Policy

- Evidence of Land Ownership
- Communications and Engagement Plan
- Strategic Risk Register
- Aligned Pendle Activities
- Pilot Phase Communications Plan
- Capital Costs Plan Summary
- YES Service Plan 2022/23
- YES Hub Phase 2 Activities
- BCR Methodology Note (updated 4th January 2022)

Following this assessment, **ekosgen are able to recommend the scheme for approval to the Towns Fund Board.**

There are no substantive conditions for this recommendation, however the Town Fund Board may wish to see written clarification in relation to the £2,000 of capital investment from Pendle Borough Council.

There are also some recommendations below which are relevant to the development and appraisal of subsequent business cases.

Strategic Case

Key Points

- There is a clear strategic fit between the proposed project activity and the objectives of the Town Investment Plan.
- The Business Case sets out a strong rationale for public sector investment and there are clear market failures affecting the provision of education services, particularly those targeted at young people. Without Towns Fund investment there are no clear alternative routes to fund such a service.
- The Hub will refer beneficiaries to relevant services, sometimes delivered by third parties and potentially delivered within the Hub premises. The Hub has the potential to help direct beneficiaries to relevant support and broaden the reach of these services. These will help deliver positive outcomes, as set out in the economic case. However, the attribution of Hub activity on observed outputs and outcomes should be considered in any future evaluation of the scheme.

Strategic Fit

Policy Fit

The YES Hub was prioritised for funding in the Nelson Town Investment Plan and builds on existing pilot activity funded by DWP. The project activity clearly aligns with the priorities of the Town Fund – predominantly through its contribution to skills and enterprise infrastructure within the town.

The business case sets out the following TIP Strategic Objectives to which the activity aligns:

- SO1: To instil pride and a strong sense of identity and belonging to create a cohesive and welcoming community where residents feel connected, involved and empowered.
- SO2: To ensure that public service provision meets the needs of all residents to enable them to thrive.
- SO3: To increase confidence and aspiration to succeed through improved access to skills and quality jobs.
- SO9: To enhance digital and physical connections to support inclusion and economic growth.

The project is also expected to contribute to the TIP cross-cutting principles. In the appraiser's view, there are clear links to the principles of 'collaboration and engagement' and 'economic recovery'. The scheme is also reported as contributing to 'clean growth' which can be achieved through the opportunity to promote skills relating to green technologies – however the direct links with this theme are less obvious from the business case and the specific activity proposed.

The Business Case clearly sets out how the project will respond to broader local and national priorities, including:

- Priorities relating to Building Back Better and Covid recovery
- The Plan for Jobs and Lifetime Skills Guarantee
- Lancashire Skills and Employment Framework
- Pendle's Economic Recovery and Growth Strategy

Response to Market Conditions

The investment proposals are supported by a Theory of Change which sets out how the proposals relate to needs and challenges in the town and how this activity will achieve the proposed outputs. The fact that this activity builds on the Phase 1 pilot is positive and evidence and lessons from this stage of activity have been provided in the business case to support the ongoing case for investment.

Key challenges addressed by the intervention include: deprivation and its links to high unemployment and economic inactivity; high youth unemployment; and skills mismatches evidenced through local skills gaps and a need for the Nelson workforce to adapt to future skills requirements. The business case also highlights the significant recent challenges arising from the pandemic, to which Nelson's economy was particularly exposed, and local challenges relating to health, wellbeing and the aspirations of local residents. The range of activity to be accommodated within the YES hub has a clear alignment to each of these local challenges.

In addition to local economic and social challenges, particularly in relation to younger people, the need for local services is demonstrated through Phase 2 activity and the Business Case provides case studies and examples of the type of activity to which local young people can be directed through the work of the Hub and its outreach services.

Evidence of Market Failure

In relation to market failures and the rationale for investment:

- There are clear market failures relating to positive externalities that justify public investment in skills and training. This is particularly the case for young people / people not in employment that would not otherwise have access to employability and training initiatives.
- There is evidence of the undersupply of provision. DWP have confirmed that current funding was for the pilot phase and no further funding will be made available beyond the 12-month allocation (ending 31st January).

Project Objectives

The project objectives are identified as:

- IO1: To empower young people to access and maximise opportunities, skills and services and contribute to the economic success of Nelson
- IO2: To overcome the creative and digital divide by enabling young people in Nelson to access creative and digital skills and infrastructure required to participate in the modern economy
- IO3: To encourage positive lifestyle and life choices by supporting good health and wellbeing and improving confidence through increasing experiences and aspirations
- IO4: To facilitate multi-agency working to provide preventative and early intervention services to enable young people to reach their full potential.

There is a clear alignment between these objectives and the proposed project activity, as evidenced through the Theory of Change. Updates to the Management Case provide further information on how the expected outcomes can be measured or demonstrated. When considering attribution, it may be necessary to consider the specific contribution of the YES Hub. Appendix P provides an overview of proposed activity and the extent to which this is dependent on activity outside the scope Phase 2 funded activity and should form the basis of any future consideration of the attribution of observed outputs and outcomes.

Economic Case

Key Points

- The shortlisting of options is based on a robust approach, particularly given the scale of investment sought. The appraiser's have provided some comments in relation to the shortlisted options (i.e. non-deliverable options have been shortlisted over alternative deliverable options that make a partial contribution to the Critical Success Factors (CSFs)). We do not consider this to have a material impact on the identification of the Preferred Option on this occasion, but the comments will be relevant for future Towns Fund business cases, particularly for larger projects where it will be important to include a quantified economic assessment of alternative viable options.
- Based on the value for money assessment set out in the business case the investment is expected to deliver 'good value for money' (with a reported BCR of 3.7). The appraiser's own calculations suggest that the scheme may in fact deliver 'very good value for money' with a BCR of 4.6 based on the assumptions provided. In light of this assessment, the appraisers are confident that the scheme will deliver value for money.
- While any adjustments for this business case would be upwards and improve the Value for Money recommendations, for future business cases discrepancies between the business case and appraiser calculations may instead reflect downside risks. Supporting spreadsheets, or a means of replicating the approach adopted in the economic assessment, should be provided to ensure that all calculations can be verified.
- The qualitative assessment of options coupled with the level of funding sought provides sufficient assurances that the scheme represents the best use of public funding to deliver the project objectives.
- The economic assessment incorporates Optimism Bias of 20% and key strategic risks are reflected in the sensitivity tests, which do not significantly impact on the value for money recommendations.

Options Identified and Assessed

The business case sets out seven alternative options for investment. Each of these are assessed against a set of Critical Success Factors comprising:

- CSF1: Strategic fit
- CSF2: Value for money
- CSF3: Addresses need
- CSF4: Funding available
- CSF5: Deliverable

Projects are rated Red / Amber / Green against each of these objectives and the preferred option (Option 5: A Youth Hub on a Single Site with Outreach) is the only option considered to fully satisfy all of the objectives (i.e. the option is rated Green for all CSFs). All other options are rated Red against at least one CSF.

This is a robust approach for considering options. However, in the appraiser's view, we would question whether there are no alternative options that are suitable for further consideration. Based on the evidence provided, some alternative options (e.g. Option 4: Broad based option with outreach) would provide at least a partial contribution to the CSFs, suggesting an Amber rating, and such options would be suitable for shortlisting at this stage.

In the detailed economic appraisal a 'do maximum' option has been considered, however as the options assessment classifies this project as being undeliverable and unaffordable, this project would not typically be suitable for consideration – it would be more appropriate to consider an alternative option that is affordable and deliverable.

However, based on the evidence provided, all alternative options will score less well against the CSFs overall and are likely to deliver a lower BCR. Given the level of investment sought, a detailed consideration of a single preferred option, supported by a qualitative assessment of alternatives can be considered proportionate. However, for subsequent business cases, particularly where larger sums are requested from the Towns Fund, at least two alternative deliverable options (plus the reference case) should be included in the detailed economic assessment.

Project Costs

The economic costs are based on the total project costs associated with Phase 2 of £539,654 which comprises investment from the Towns Fund, Accelerated Towns Fund, Pendle Borough Council, and N&CCG. This figure excludes all sunk costs (including Accelerated Towns Fund investment spent to date) and is considered to be the appropriate figure on which economic costs should be estimated.

Technically N&CCG costs (as a further education provider) could be treated as a private sector contribution. In this case they would be deducted from the overall benefits, rather than being included in the denominator of the BCR, which should capture public sector costs only. However, this will not have a material impact on the assessment presented.

The business case sets out that the standard adjustments have been made to the project costs associated with the scheme including adjustments for inflation (at 2% a year), present values (3.5% year) and optimism bias (20%).

Following these adjustments, Present Value Economic Costs are estimated to be £584,697. It has not been possible for the appraiser to replicate this figure – applying the same adjustments as set out above, we estimated economic costs as £571,099, a variation of 2%.

Estimating Economic Costs

	Business Case	Appraiser
Total Financial Cost	£539,654	£539,654
<i>Adjusted for Inflation</i>		<i>£515,176</i>
<i>Present Value</i>		<i>£475,916</i>
Economic Cost <i>(Present Value with Optimism Bias)</i>	£584,697	£571,099

Based on the benefits assessment set out below, this is not expected to have a material impact on the value for money assessment – in fact the appraiser's estimate will deliver a marginal improvement in the estimated BCR. However typically Business Cases would be supported by a set of spreadsheets which can be independently verified, or a detailed supporting methodology note setting out all calculation steps. While we do not consider this a substantive issue in this case, an approach for sharing economic calculations should be agreed for future business cases. This will be a potential issue for business cases where the estimated BCR is close to value for money thresholds or for larger and more complex schemes where the principles of proportionality will require a more thorough review of the assessment assumptions and their use.

The basis on which the economic costs for the Do Maximum option have estimated has not been provided in the Economic Case or the supporting BCR Methodology Note. As this option is not deliverable, this will not impact the appraisal findings, however as stated above, a more detailed consideration of alternative options will be necessary for Business Cases where greater levels of

investment are sought. The relevant steps (including the assumed profile of costs) should be provided for all shortlisted options.

Project Benefits

Identified Benefits

The core economic benefits are:

- 40 young people gaining qualifications each year (over four years from 2022/23 to 2025/26):
 - 32 gaining level 1
 - 5 gaining level 2
 - 3 gaining level 3
- 100 people engaging with the hub each year gaining increased confidence
- 44 people engaging in exercise each year.

These are the outputs for which monetised economic benefits have been assessed and are considered in turn below. For each there is a clear link with investment objectives (at a TIP and Project level).

In addition, a broad range of wider economic benefits have been identified. While these have not been quantified, they contribute to the overall case for investment and the core impacts include benefits associated with volunteering, accessing work experience and training, wider health and wellbeing benefits, engagement in the arts and overcoming digital exclusion.

Assumptions Applied

As with the economic costs, a BCR note has been provided setting out the approach adopted at a high level. The supporting spreadsheets have not been provided and it has not been possible to follow or replicate the results provided in the business case. Overall the appraiser has estimated higher net economic benefits, so in this case any moderation would improve the value for money estimates of the scheme.

As with the economic costs, to ensure that results can be verified as part of the appraisal process, supporting spreadsheets or a detailed methodology note setting out each calculation step should be requested for all future business cases.

Qualifications:

- 40 beneficiaries a year.
- The Business Case states that outputs have been determined from Phase 1 activity. It has not been possible to verify this based on the information provided, however given the level of value for money estimated, significantly more conservative assumptions relating to impacts generated would not impact on the overall conclusions.
- The value of achieving higher qualifications is taken from ONS Human Capital Estimates and ranges from £986 for a level 2 qualification to £2,198 for a level 1 qualification (presented in 2021 prices)
- The additionality adjustment includes displacement of 25%, leakage of 25%, and deadweight of 32%, providing a robust assessment of net additionality. Displacement and leakage are based on standard benchmarks and are considered to be appropriate. Deadweight is based on the proportion of young people in Pendle in education and again is considered appropriate and proportionate given the level of investment sought.
- The ONS Human Capital Estimates are derived from lifetime benefits, but for the purpose of this assessment are assumed to persist for 10 years from the intervention.
- The BCR Methodology Note states that each year 10 participants will achieve qualifications that can be considered as additional (i.e. over and above) what would be achieved without this project. Based on the assumptions provided, the appraisers estimate that 15.3 qualifications may be additional per year.

- In the BCR Methodology Note, the total net economic value of additional qualifications provided is estimated as £0.4 million. Based on the assumptions provided, the appraisers estimate that it may be £983,000. This is a significant variation however any adjustment would improve the value for money position¹.
- It has not been possible to review the estimated impacts associated with the Do Maximum option.

Increased Confidence

- Assumed to benefit almost all beneficiaries each year (100 out of 101). The Business Case states that outputs have been determined from Phase 1 activity. It has not been possible to verify this based on the information provided, and the success rate does appear to be high, however the sensitivity tests do consider more conservative assumptions.
- The value of this improvement is taken from the HACT database – which is considered as a credible source of benchmarks for such activity.
- In this case the output is valued at £10,034 per person per year (in 2021 prices). The benefit is captured for one year following the intervention.
- Additionality is based on leakage of 25%, displacement of 25% (based on standard benchmarks) and deadweight of 27% (based on the HACT standard rate).
- The BCR Methodology Note states that the net additional economic impact of this benefit is £1.5 million. Our own estimate based on the information provided is £1.387 million – which is below the estimate provided in the business case but outweighed by any equivalent adjustment provided to the assessment of qualifications.
- It has not been possible to review the estimated impacts associated with the Do Maximum option.

Engagement in Exercise

- 44 young people are expected to engage in exercise each year. It has not been possible to verify this based on the information provided, however given the level of value for money estimated, more conservative assumptions relating to impacts generated would not impact on the overall conclusions.
- The value of this improvement is taken from the HACT database – which is considered as a credible source of benchmarks for such activity.
- In this case the output is valued at £3,957 person per year (in 2021 prices). The benefit is captured for one year following the intervention.
- Additionality is based on leakage of 25%, displacement of 25% (based on standard benchmarks) and deadweight of 19% (based on the HACT standard rate).
- The BCR Methodology Note states that the net additional economic impact of this benefit is £0.3 million. Our own estimate based on the information provided is £267,000, which is in line with this total when rounded.
- It has not been possible to review the estimated impacts associated with the Do Maximum option.

¹ Please note – it is not suggested that the total impacts will be this much higher. However, this reflects the appraisers best estimate based on the information provided. Without supporting information (requested during the clarification process) it is not possible to state the cause of this variation.

Forecast Return on Investment

The impacts above are estimated in the business case to have a combined value of £2.2 million (£1.8 million of which relates to improved confidence). With economic costs estimated as £0.6 million, this generates a BCR of 3.7 and the investments would represent good value for money.

The assumptions adopted appear proportionate to the level of investment sought and the appraiser considers this assessment to be reasonable. As set out above, it has not been possible to replicate the results provided in the business case, but our own assessment generates a higher estimate of the economic benefits and lower economic costs which would significantly improve the overall BCR and potentially suggests that the scheme could deliver very good value for money (i.e. a BCR greater than 4:1).

Value for Money Assessment

	Business Case (£m)	Appraiser Assessment (£m)
Qualifications Gained	£0.4	£0.984
Increased Confidence	£1.5	£1.388
Increased Engagement in Exercise	£0.3	£0.267
Total Benefits	£2.2	£2.638
Economic Cost	£0.585	£0.571
BCR	3.8*	4.6

** The Business Case reports a BCR of 3.7, which we believe is a result of Economic Costs being rounded up to £0.6 million. However, the BCR should be based on unrounded costs and benefits.*

For future business cases, discrepancies between the business case and appraiser calculations may instead reflect downside risks and supporting spreadsheets, or a means of replicating the approach adopted in the economic assessment, should be provided to ensure that all calculations can be verified.

Given the level of investment sought, we are satisfied that this project will deliver value for money and recommend the project for approval on this basis. However, it should be possible to resolve such uncertainties relating to a BCR for future schemes at the appraisal stage – particularly those with more marginal BCRs, for more complex schemes, or schemes seeking greater levels of investment.

Risk and Sensitivity Analysis

The Business Case sets out the following sensitivity tests:

- Reduced numbers of young people benefitting from increased confidence annually by 20%
- Reduced numbers of young people gaining qualifications at each level annually by 50%
- Increased leakage of skills benefits to 50%.

In all cases the investment would continue to deliver good value for money.

Based on the information provided and the value of 'improved confidence' as a share of total economic benefits, it may be appropriate to consider a more significant reduction in people benefiting from this measure – however even if these benefits were halved, the investment would continue to deliver good value for money.

Financial Case

Key Points

- The total project costs are £539,654, of which £420,388 is sought from the Towns Fund.
- Project costs are derived from existing operating costs and the delivery of Phase 1 which will provide a robust basis for ongoing cost estimates. As a largely revenue-based project there will be scope to reprofile activity should costs increase greater than current allowances (e.g. 7% contingency on capital spend and 2% per annum inflation).
- Match funding is committed. The only minor points are:
 - The facilities management costs of circa £6,500 per annum associated with N&CCG will be the responsibility of the service provider for Phase 2. This will be committed to as part of the procurement process.
 - The letter of support from Pendle Borough Council does not reference the £2,000 contribution to capital costs. While only a relatively small proportion of total funding, the Towns Fund Board should seek written assurance of this.
- A final review of the business case should reflect the latest funding position – there are some minor discrepancies in the text in the financial case.

Project Cost Breakdown

In initial versions of the business case, there was some confusion over which costs were relevant to Phase 1 and Phase 2, however following clarification it has been confirmed that the total project costs are £539,654, comprising:

- £420,388 operational costs for the Hub project – i.e. staffing, IT, marketing and beneficiary costs
- £75,600 associated with the operating costs for the building
- £43,666 capital allowance for the maintenance and repair of the building.

A detailed breakdown of project costs is provided in the table below. These are primarily taken from Appendix D. All sunk costs and costs associated with Phase 1 activity have been excluded from the business case.

Detailed Project Costs

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL COST
1.0 Yes Coach	£4,911	£29,655	£30,132	£30,911	£31,451	£127,061
0.86 Yes Coach	£3,318	£19,733	£20,285	£20,855	£21,014	£85,205
1.0 Outreach worker	£4,221	£26,120	£26,470	£26,590	£27,620	£111,021
0.35 Community Outreach	£1,489	£9,113	£9,297	£9,483	£9,668	£39,049
Management costs	£1,333	£7,405	£7,631	£7,855	£7,855	£32,079
Staff transport costs	£0	£1,500	£1,580	£1,610	£1,642	£6,332
Marketing	£58	£600	£530	£500	£500	£2,188
Laptops	£167	£3,000	£2,100	£1,800	£1,700	£8,767
Beneficiary Costs	£266	£2,000	£2,100	£2,140	£2,180	£8,686
Building Operating Costs (Pendle BC)	£2,000	£12,240	£12,485	£12,734	£2,426	£41,885
Building Operating Costs (N&CCG)	£6,500	£6,630	£6,726	£6,861	£6,998	£33,715
Building Repair and Maintenance	£3,666	£10,000	£10,000	£10,000	£10,000	£43,666

Total Expenditure	£27,929	£127,996	£129,337	£131,339	£123,054	£539,654
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Project Cost Assumptions

Costs are based on a detailed cost breakdown that considers overall staffing requirements to deliver the proposed service. Specific assumptions are not provided in the business case, however it states that costs are informed by Phase 1 (Feb 2020 – Jan 2021) during which time DWP Flexible Support Fund provided revenue costs of £99,000 and Pendle Borough Council provided £12,000 capital. This would be a reasonable basis on which to forecast ongoing costs for the service.

Premises operating costs will be the responsibility of Pendle Borough Council. The proposed budget of £41,885 (circa £12,000 per year) exceeds the costs incurred over the past 12 months (of £9,900) however costs over this period would be artificially low as a result of various lockdowns and reduced occupancy during this time.

Future costs factor in inflation of 2% per annum. This is below current levels, but in line with the Bank of England CPI target. As a largely revenue based scheme, it should be possible to rescope activity were costs to increase above the level estimated and this approach is confirmed in the business case – which states that an annual budget review will be completed to ensure that spend over the lifetime of the project is within the available financial envelope.

Contingency of 7% has been applied to all capital costs.

Funding Sources and Certainty

All costs and benefits presented in the Business Case are for Phase 2 only and therefore exclude any sunk costs associated with the delivery of Phase 1.

Towns Fund investment of £420,388 is sought for the Hub revenue costs over the five-year period 2021/22 to 2025/26. This will cover costs associated with staffing, IT, beneficiaries, and marketing.

Match funding of £75,600 will contribute to the operating costs of the building and a further £43,666 has been set aside for ongoing maintenance and repair of the premises. This includes £41,666 from the Accelerated Towns Fund Award for which we understand approval has been granted.

There are some minor discrepancies in the cost presented in the business case (of £2,000 in some places), and the table below reflects our understanding of the final position, following clarification. This breakdown is consistent with the detailed cost breakdown provided in Appendix D and the table presented above, however the Towns Fund Board should request that the Business Case is updated to reflect this final position.

Funding, by Source

Funding Source	Status	Value	Comments
Towns Fund	Subject to Town Board Approval	£420,388	To cover staff, IT, beneficiary, and marketing costs
Pendle Borough Council	Committed	£41,885	To cover building operating costs
Service Provider (currently N&CCG)	Subject to Tender	£33,715	Contribution to site running costs
Pendle Borough Council	Committed	£2,000	Building Maintenance and Repair
Towns Fund (Accelerated Funding)	Committed / Approved	£41,666	Building Maintenance and Repair
Total		£539,654	

In relation to the status of each funding source:

- Pendle Borough Council operating costs (£41,885): This funding is committed and specified in a letter of support included in the appendix. The business case states that *'operating costs will be assessed annually and the Pendle Council budget re-profiled if necessary to manage any cost inflation above this level. Additional resources will be sought for the operating cost shortfall in Year 5. However, this may be brought forward should any reprofiling of the Pendle Council revenue indicate a funding shortfall prior to Year 5.'* This appears an appropriate basis on which to manage risk, but any requirement for the early draw-down of match funding and evidence that appropriate mitigation is underway should form part of the on-going review of project delivery.
- Service Provider costs (£33,715): N&CCG in their role of site manager, incur some running costs to the value of £6,500 which is additional to the £10,000 annual operating budget (funded through the Accelerator Fund). Going forward, it will be the service provider who will be responsible for covering this operating cost and this will be built into the service specification, highlighting that the provider will be expected to contribute as a minimum £6,500 annually, plus inflation, towards the running costs of the building and the service.
- Pendle Borough Council Building Maintenance and Repair (£2,000): This is additional to the commitment specified in the match funding letter. The business case indicates that PBC has committed to this funding, however the Town Fund Board should seek written assurances of this.
- Towns Fund Accelerated Funding (£41,666): This funding has been approved as part of Phase 1 activity. It represents the remaining budget allocation for the ongoing maintenance and repairs of the premises.

Commercial Case

Key Points

- As a revenue-based scheme, there are limited considerations in relation to asset ownership and commercial arrangements, etc.
- The proposals will build on the arrangements for Phase 1 and procurement will be in line with Pendle Borough Council's policies.
- The key points to note are that:
 - The current service delivery contract has been extended by six months (to July 2022) to allow for the continuation of services while the service is retendered.
 - Responsibility for Facilities Management will transfer to the new service delivery provider from August 2022 as part of the re-procurement exercise.
- While there will be some risks associated with re-tendering, a reasonable time period has been allocated (Feb-July 2022). This will build on lessons for Phase 1 and will factor in lessons from the Evaluation of Phase 1 (due March 2022) which further reduces tender risks.

Procurement and Contractual Arrangements

Contracting arrangements for the project will build on Phase 1 activity. An extension of the existing contract for six months will allow for a continuation of the service while activity is re-procured.

Key points from the Business Case are:

- **Site Ownership:** Pendle Borough Council will retain ownership of the premises and act as the project sponsor for the YES Hub. All contractual arrangements will be aligned to the council's procurement strategies and procedures and a link to the council's procurement strategy is provided as Appendix H.
- **Building Maintenance:** A service agreement is in place with Liberata (Property Services) regarding the capital elements of the project – i.e. building repair and maintenance.
- **Facilities Management:** Nelson & Colne College Group (N&CCG) currently undertakes the facilities management role for the premises and is a key partner in the delivery of the service. From August 2022, it will be the service provider who will be responsible for covering this operating cost and this will be built into the service specification, highlighting that the provider will be expected to contribute as a minimum £6,500 annually, plus inflation, towards the running costs of the building and the service.
- **Service Delivery:** The current service provider is Active Lancashire. Pendle Council has agreed an extension to the existing Provider contract to continue delivery for 6 months beyond the DWP pilot phase. The extension will run from February to July 2022. Over the contract extension period, the Project Delivery Steering Group will undertake a procurement exercise for the new contract, to commence Aug 2022. The service specification will take account of lessons learned in the DWP pilot phase which are being captured in an evaluation report and are summarised in the business case.

The YES Hub Task Group will oversee procurement resourcing for the service provider. Involvement in this work will be subject to an MoU, defining the scope and purpose of the

procurement task and highlighting roles and responsibilities of the key partners. Contracting discussions will commence Jan 2022.

A Service Agreement will form the contractual arrangement between Pendle Council and the Service Provider. This will detail the service specification, outputs and outcomes, performance management, monitoring requirements and Licence holder responsibilities.

- **Site Access:** Regarding access of partners to the premises, a Licence Agreement is in place between Pendle Council and N&CCG and the current service provider, Active Lancashire, to enable occupation of the building by relevant project partners.

Required Permissions

There are no permissions required to deliver this project. Planning permission may be required for plans for the installation of solar panels to the building, but these are outside the scope of this business case.

Market Demand

The project builds on Phase 1 which has demonstrated demand for the proposals and informed the design of Phase 2. Key lessons from Phase 1 are included in the Business Case, including the need to triage cases to DWP, the importance of outreach for effective engagement, and lessons in relation to information sharing.

A formal evaluation of Phase 1 will be completed in March 2022 with lessons incorporated into the re-tendering for a Service Provider.

Subsidy Control

The business case includes a review of subsidy control and concludes that the investment will not meet the tests for subsidy control as:

- The proposed funding does not constitute a grant, loan, or guarantee and
- The funding for services will be subject to an open market procurement.

The description of services in this assessment matches our understanding of the proposals, however it will be important for Pendle Borough Council's S151 Officer to remain confident that the test continue to be met through the delivery of the project.

Management Case

Key Points

- Management arrangements are clear with Pendle Borough Council taking a lead role which is within its capabilities.
- As the procurement process progresses, further detail can be provided in relation to the delivery plan post August 2022, which is currently at a relatively high level.
- Proportionate monitoring and evaluation plans are in place – although we note some potential challenges in relation to attributing impacts. It is also important that the potential to learn from Phase 1 is fully embraced and appropriate measures are in place.

Project Management Arrangements and Capacity

Project management arrangements for the project are clear:

- Pendle Borough Council will act as the lead accountable body and retain overall management of the project.
- The SRO is not named in the Business Case but will be the council's Principal Policy Officer, taking responsibility for overall programme management, and managing the scope, finance, risk and quality of the YES Hub service. The Business Case provides examples of relevant experience for the SRO suggesting that they have suitable experience to oversee the project.
- The project governance includes a YES Hub Steering Group which will meet quarterly and assess service progress. The Steering Group's tasks are clearly set out and its members include relevant stakeholder organisations. It will be chaired by Pendle BC.
- Day to day management is undertaken by the Service Provider's Project Lead who reports to the Steering Group. The current Service Provider is Active Lancashire, however as specified in the commercial case, following a six-month exertion to July 2022, the contract will be completely re-tendered. This should consider the capability and capacity of bidding organisations.

In addition to the arrangements set out above, a specific task group has been established to oversee Phase 2 developments.

Partner Relationships

As set out in the commercial case, formal arrangements are in place to oversee and coordinate activity between formal project partners.

In relation to wider stakeholders (which are critical to the success of this project) a high-level stakeholder management plan is set out in the management case, setting out roles and communications channels. This is supported by a detailed Community and Stakeholder Engagement Plan in Appendix J.

Delivery Programme

A detailed project delivery plan is provided as Appendix C. This focuses on the procurement phases of work, which is to be expected as timescales for delivery will be agreed as part of the awarding of the service delivery contract. However, the programme does include key dates for items including: Steering Group Meetings, Annual Review and Monitoring, Exit Strategies and Final Evaluation, and development of an annual maintenance programme.

Clearly the major risk to effective delivery will be the procurement of a Phase 2 Service Provider. While we have not identified any major risks at this stage, the Town Deal Board as part of its project level oversight should review progress regularly during this phase to identify any potential slippage.

Risk Management

The project is supported by a Strategic Risk Register (Appendix K). This considers the impact of future Covid related restrictions, the impact of a break in service / procurement risk, quality of service provision, partner and beneficiary engagement.

Mitigations are identified for all risks and only one risk (Lack of Business Engagement) is identified as having a 'Red' residual risk. This should be a particular focus of the procurement process to ensure that the risk can be effectively mitigated.

Monitoring and Evaluation

The business case includes a detailed monitoring and evaluation plan and output monitoring will form part of the agreement with the Service Provider. The outcomes captured align with the strategic and economic benefits, however where beneficiaries will engage with a variety of providers, it may be appropriate to consider whether there is scope to determine the extent to which outputs can be attributed to the YES Hub (on a quantitative or qualitative basis).

There is also the potential to draw on lessons from Phase 1 following the evaluation of this activity in March 2022.

Core outputs to be collected include:

- Number of temporary FTE jobs
- Number of new or improved relationships (MoUs / contracts) with employers to interact with young people
- Number of participants in active activities
- Number of participants supported to address and remove barriers to skills development and employment pathways
- Number of young people supported to enrol with education or training facilities
- Number of participants reporting increased confidence
- Number of participants gaining new qualifications

Conclusions and Recommendations

Conclusions

On the basis of the assessment set out above, we recommend this project as being suitable for approval to the Towns Fund Board.

As a primarily revenue funded scheme that builds on a Phase 1 Pilot, there is a strong basis on which to deliver the next phase of activity. There is also scope within the proposals to provide flexibility of delivery to respond to changing needs and sustained cost inflation.

The level detail is considered proportionate to the level of investment sought and where recommendations are made, these are primarily lessons for future business cases where projects are likely to be more complex, with less clear findings, and will be seeking greater levels of investment.

The key points in relation to each case are set out below.

Strategic Case

- There is a clear rationale for this investment which strongly links to the opportunities and challenges set out in the Town Investment Plan.
- The objectives for investment are clear and form an objective basis for considering the alternative options.
- The nature of the intervention and links with partners may make the attribution of benefits challenging to demonstrate. This may be an issue to consider for the evaluation – including any lessons in relation to this from Phase 1.

Economic Case

- The project is expected to deliver value for money, with a reported BCR of 3.7:1. The appraiser's own assessment suggest that VfM may be above 4:1 which would represent very good value for money.
- The assumptions underpinning the economic assessment are credible and the VfM conclusions are robust to a range of alternative assumptions and sensitivity testing.
- For future business case, the Towns Fund Board may want to request the supporting spreadsheets or detailed calculations to ensure that value for money conclusions can be verified – this is not a major issue in this case, but may be so for business cases with less clear recommendations of for large and more complex schemes.
- When considering alternative options, future business cases should be restricted to viable options. In this case the qualitative assessment is considered to be sufficient, but larger and more complex schemes will require a more robust assessment with two viable alternative options shortlisted for the detailed economic assessment where possible.

Financial Case

- Following the clarification process, the basis for and breakdown of project costs is clear.
- The Town Fund Board should seek written confirmation of the £2,000 contribution from Pendle Borough Council for capital match funding.
- There are some risks in relation to project costs (including inflation and the requirement to re-tender for a service provider) however the nature of the scheme means that these risks should be manageable.
- Pendle Borough Council have also identified the potential to reprofile their contribution to operating costs and potentially secure additional funding for year 5 if required. This is a reasonable approach, but any need to bring forward operational costs should be identified early

on so that appropriate steps can be put in place to ensure delivery can continue over the five-year period.

Commercial Case

- Contracting arrangements are clear and build on Phase 1.
- The main point to note is the need to re-procure for a service provider by August 2022. No significant risks are identified, and the proposals are in line with relevant policies, but given the impact of any potential delay, progress should be monitored closely over the coming months.

Management Case

- Management arrangements are clear with Pendle Borough Council taking a lead role which is within its capabilities.
- As the procurement process progresses, further detail can be provided in relation to the delivery plan post August 2022, which is currently at a relatively high level.
- Proportionate monitoring and evaluation plans are in place – although we note some potential challenges in relation to attributing impacts. It is also important that the potential to learn from Phase 1 is fully embraced and appropriate measures are in place.

Recommendation

The Nelson YES Hub Phase 2 is recommended for approval.

There are no substantive conditions at this stage, however the Town Fund Board may wish to see written clarification in relation to the £2,000 of capital investment from Pendle Borough Council.

In addition, this report sets out a number of recommendations and key issues for future Towns Fund appraisals.

Appendix: Expenditure and Output Profile

Expenditure Profile

	21/22	22/23	23/24	24/25	25/26	Total
Towns Fund Expenditure	£15,763	£99,126	£100,126	£101,744	£103,630	£420,388
Total Expenditure	£27,929	£127,996	£129,337	£131,339	£123,054	£539,654

Outputs Profile

Output Indicator	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Temporary FT jobs supported during project implementation (pa)	-	3.2	3.2	3.2	3.2	3.2
Closer collaborations with employers (The number of relationships between the YES Hub and employers)	-	24	24	24	24	96
Young people engaging in exercise	-	44	44	44	44	176
People per year supported to address and remove barriers and social issues to skills development and employment pathways	-	108	108	108	108	432
Learners supported to enrol at education/training facilities	-	81	81	81	81	324
Young people with increased confidence	-	100	100	100	100	400
Young people gaining new qualifications	-	40	40	40	40	160

The project will deliver the following impacts:

- Increased rate of progression into employment, education or training
- Economic value of £0.4m from higher qualification levels gained
- Social value of £1.8m as a result of increased levels of exercise and confidence

The following wider benefits will also be delivered:

- Young people supported into employment, education or training
- Young people accessing volunteering opportunities
- Young people accessing work experience or training
- Referrals to partners which support health and wellbeing
- Digitally excluded people accessing the internet
- Young people engaging in the arts
- Inclusion of young people who are less likely to engage with employability support provided by DWP
- Effective targeted support for young people living in the most deprived wards of Nelson