

REPORT OF:	HOUSING, HEALTH AND ENGINEERING SERVICES MANAGER
TO:	NELSON TOWN DEAL BOARD
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**BUSINESS RESILIENCE AND GROWTH:
BUSINESS CASE ASSURANCE & FUNDING RECOMMENDATIONS**

PURPOSE OF REPORT

To present the Board with the independent business case appraisal report and funding recommendations for the Business Resilience and Growth project.

RECOMMENDATIONS

That the Board:

1. Note the findings of the business case appraisal report for the Business Resilience and Growth Project.
2. Recommend that Pendle Borough Council's Policy and Resources Committee:
 - a. Approve £2,000,000 of Towns Funding to the project, subject to the following conditions being met:
 - Pendle Borough Council should confirm that management of the project is affordable given that the cost estimates do not account for inflation or wage growth.
 - A process is agreed for early stage monitoring of take up and for agreeing amendments to the scheme eligibility criteria should it be necessary to expand its coverage.
 - Appropriate mitigations should be considered in the early stages of project deliver for a situation where support from Boost Lancashire is not provided after the first 18 months.
 - The Town Board should also ensure that processes are in place to confirm that appropriate experience and expertise is included on the Grants Panel.
 - b. Delegate authority to the project appraisal sub-group of the Board to ensure these conditions are met.
 - c. Authorise the submission of the Project Summary Document to Government.
3. Delegate authority to the Chair to agree and sign the Project Summary Document prior to submission to Government.

REASONS FOR RECOMMENDATIONS

1. To inform the Board of the outcome of the Business Resilience and Growth business case appraisal.
2. To seek approval for project delivery funding from the Accountable Body and the Government; and to agree the conditions which should be attached to this.
3. To enable the Chair to agree and sign the Project Summary Document on behalf of the Board.

ISSUE

Background

1. The Nelson Town Investment Plan (TIP) sought £29.9m funding to support the delivery of 8 strategic projects aimed at promoting transformational and sustainable growth within the town. In August 2021, a Heads of Terms offer was agreed for up to £25m of Towns Funding through a Town Deal. The Town Deal Board and the Accountable Body subsequently reviewed and confirmed the details of the projects to be delivered, and a Town Deal grant offer letter was received from Government in response to this in December 2021.
2. In order to 'unlock' delivery funding, all 8 strategic projects are required to produce an HM Treasury Green Book compliant business case assured in line with the Nelson Local Assurance Framework. A Project Summary Document must then be submitted to Government within 12 months of agreeing our Heads of Terms, i.e. by 5th Aug 2022.
3. In accordance with Nelson Local Assurance Framework, the Business Resilience and Growth Business Case has been independently appraised by consultant's ekosgen and has also been considered by the Project Appraisal sub-group. The views and comments from the sub-group were provided to ekosgen to form part of their appraisal considerations. The final appraisal report is attached at Appendix 1 and will be presented to the Board by ekosgen at the meeting. A summary of the key points and proposed conditions are provided below.

Project Funding Recommendations and Decision Making Processes

4. The purpose of this report is to ask the Board to make funding recommendations to Pendle Borough Council as the ultimate decision making and Accountable Body for the Town Deal. Subject to their agreement, a Project Summary Document, signed by the Chair of the Board and the Council's Chief Executive or S151 officer will be submitted to Government.
5. If the Government are happy with the details of the Project Summary Document, Year 1 delivery funding will be released. Following that, payments in future years will only be made subject to satisfactory spend and progress against agreed project milestones, outputs and outcomes.

Project Assurance Overview

Project: Business Resilience and Growth

Applicant: Pendle Borough Council

Towns Funding sought: £2,000,000

6. A presentation regarding the Business Resilience and Growth project was given by the project lead to the Board at their meeting on 4th February 2022.
7. The Business Resilience and Growth project aims to support the local manufacturing sector as it responds to a range of external factors – including disruption associated with Covid 19, the impact of the UK exiting from the EU, and industrial digitalisation. The project will provide capital investment grants to support:
 - Investment in new plant or machinery
 - The lowering of CO2 emissions or energy consumption

- Premises improvements to support growth.
8. Business grants will initially be awarded at an intervention rate of 50% in the first two years, dropping to 30% in year 3 and 20% in year 4. Grants will be available up to a maximum of £100,000 and the average grant amount is expected to be £50,000.
 9. Additional 'in kind' business support will be provided by Growth Lancashire (one of the delivery providers involved in Boost) who will provide c.3 hours of business relationship support, advice or follow-on guidance to each business that is in receipt of a grant.

Strategic Case

10. The appraisal report highlights that there is a clear strategic fit between the proposed project activity and a number of strategic objectives in the TIP, namely:
 - SO3: To increase confidence and aspiration to succeed through improved access to skills and quality jobs.
 - SO7: To drive resilience and growth through a diverse business base which celebrates innovation, entrepreneurship and ambition to grow.
 - SO9: To enhance digital and physical connections to support inclusion and economic growth.
 - SO10: To put the principle of clean growth at the heart of everything we do.
11. The project will contribute to the TIP cross cutting principles (Collaboration and Engagement; Clean Growth; and Economic Recovery) and respond to broader local and national priorities, e.g, Lancashire's Covid-19 Recovery Plan, the national Levelling Up White Paper.
12. The key challenges which the project seeks to address are clearly set out in the business case.

Economic Case

13. The project will deliver the following outputs, outcomes and wider benefits:

MHCLG Reported Outputs							
Output Indicator	Indicator Type	Total	2021/22	2022/23	2023/24	2024/25	2025/26
No. of full-time equivalent (FTE) permanent jobs created through the projects [direct only]	MHCLG mandatory	165	0	20	50	55	40
No. of full-time equivalent (FTE) permanent jobs safeguarded through the projects	MHCLG mandatory	335	0	40	100	110	85
No. of enterprises receiving grants	MHCLG Project specific	38	0	6	14	9	9
Number of closer collaborations with employers	MHCLG Project specific	38	0	6	14	9	9
No. of businesses receiving non-financial support	MHCLG Project specific	38	0	6	14	9	9
Number of new non-domestic buildings with green retrofits completed	MHCLG Project specific	13	0	1	5	5	2
New/adapted commercial floorspace (sqm)	Project Bespoke	800	0	0	300	320	180

These direct outputs will lead to the following beneficial outcomes:

MHCLG Reported Outcomes							
Outcome Indicator	Indicator Type	Total	2021/22	2022/23	2023/24	2024/25	2025/26
Estimated carbon dioxide equivalent reductions as a result of support	MHCLG Project specific	87	0	6	33	34	14

Wider benefits include:

- Enhanced townscape that is more attractive and accessible to residents, businesses, and visitors,
- Increased number of enterprises utilising high quality, affordable and sustainable commercial spaces,
- Supporting decarbonisation of industry,
- Supporting productivity gains through product and process innovation.

14. The outputs are in line with those agreed in the Town Deal Heads of Terms offer with the exception of Labour supply impact (present value benefit of £3.54m). The appraisal approach used in Stage 2 changed to focus on direct and indirect employment benefits as measured by GVA instead of labour supply impact. This was deemed more appropriate for the intervention once the project details were better understood.

15. The appraisal report includes a number of minor comments relating to project costs and how some of the benefits have been calculated in the economic case. Revised benefit estimates have been tested by the appraiser through a range of scenario's, with a range of Benefit Cost Ratio (BCR's) being achieved. On the whole, the appraiser is satisfied that **good value for money could be achieved** through the project, however to ensure this is the case, when allocating funding there should be a focus on selecting firms and investments where the proposed activity is unlikely to proceed without grant.

Financial Case

16. The total project costs are £5,863,642, of which £2,000,000 is sought from the Towns Fund.

17. Limited information has been provided on the cost assumptions used by the project lead, but this is to be expected given the nature of the scheme. The appraisal report highlights that the revenue costs associated with project management are distributed on a uniform basis and do not consider inflation. **It is therefore recommended that Pendle Borough Council should confirm that the resourcing of this project is affordable to the council and how any cost increases relating to wage inflation or other factors will be managed.**

18. A project funding profile is provided below. This varies from the profile set out in the project confirmation tables submitted to Government back in Sept 21. However, we understand there is likely to be an opportunity to provide an updated spend profile for all projects in summer 2022.

	2022/23	2023/24	2024/25	2025/26	Total
Towns Fund: Capital	£250,000	£750,000	£450,000	£450,000	£1,900,000
Towns Fund: Revenue	£25,000	£25,000	£25,000	£25,000	£100,000

Boost Business Lancashire (In-Kind)	£3,583	£3,583	£3,238	£3,238	£13,642
Private Sector Match	£250,000	£750,000	£1,050,000	£1,800,000	£3,850,000
Total	£528,583	£1,528,583	£1,528,238	£2,278,238	£5,863,642

19. The majority of match funding will be secured through private sector contributions to investment projects approved for grant funding. Grant will be awarded on evidence of defrayal by applicants, so there is limited risk in relation to this match funding not being provided at the time that Towns Fund investment is drawn down for the project.

20. A letter of support is provided from Growth Lancashire, however, it should be noted that the contract for Boost 4 is currently only agreed for the first 18 months of the Business Resilience and Growth project and cannot be guaranteed beyond that. **It is recommended that appropriate mitigations should be considered in the early stages of project delivery for a situation where support from Boost Lancashire is not provided after the first 18 months.**

Commercial Case

21. The Commercial Case is generally satisfactory. It is recognised that the project is targeting a high proportion of Nelson manufacturing businesses (30%) and if demand is below the expected level it may be necessary to broaden the eligibility criteria. **It is recommended that early-stage uptake should be closely monitored and a process should be agreed with the Town Board for confirming any changes to the proposed investment activity.**

Management Case

22. Management arrangements are relatively clear and straightforward. It is noted that further information could be provided on how the relationship with Boost Lancashire will be managed (including how businesses will be referred).

23. Governance arrangements for the project include a Grants Panel that will consist of public and private organisations who will review and approval grant applications. **It is recommended that the Town Deal Board ensure that processes are in place in order that appropriate experience and expertise is included on the panel.**

24. The appraisal report highlights that capital and revenue spend, along with outputs in the business case were fairly evenly spread across the 4 years of the project. Given that the project will not commence operation until October 2022, the report suggested it may be necessary to reprofile proposed activity on this basis. Outputs have been reviewed and updated to reflect the mid-year start (as presented above). The delivery lead is gearing up to be ready to go live as soon as delivery funding is confirmed by DLUCH. They are already aware of companies interested in the scheme, so will have some 'warm' leads.

Milestones

25. A detailed delivery plan was provided as an Appendix to the business case and a high level summary of project milestones is provided below:

Timeframe	Task
January – February 2022	Continued engagement with funders and stakeholder organisations
January 2022-March 2022	Full business case development including detailed engagement to inform capital spend
September 2022	Funding approved

October 2022 -March 2026	Implementation Phase
Six monthly reviews of progress	The Town Deal Board will meet quarterly and six-month reviews will provide more detailed feedback in addition to quarterly monitoring information such as beneficiary case studies and satisfaction

Head of Terms – Project Conditions

26. The Heads of Terms offer for the Nelson Town Deal included a number of project conditions which must be met as part of the funding approval process. Evidence must be submitted to Government alongside the Project Summary Document. These are detailed in the table below:

Project condition	Demonstrating the condition has been met
Provide a more detailed delivery plan that covers risks, interdependencies and mitigation measures; and clear costings for each element.	A detailed delivery plan was prepared as part of the business case, together with a detailed risk register. These will be submitted with the Project Summary Document alongside costings where these can be provided. As outlined above, detailed costings cannot be provided for all expenditure due to the nature of the scheme.
Provide assurance that State Aid regulations are being met.	Legal advice has been sought and a letter confirming the project is Subsidy Control compliant (which was appended to the business case) will be submitted alongside the Project Summary Document.
Provide letters of support/interest from local firms.	Soft market test was carried out with a 10% sample of businesses who could be eligible to receive a grant. This helped to shape the project and demonstrated support for the scheme. Letters of support have also been provided from a number of local firms and partners. These will be submitted alongside the Project Summary Document.

Funding Recommendations

27. Ekosgen have completed the independent Assurance Report of the project business case, taking into account the comments from the Project Appraisal sub-group. Their report recommends approval of the £2mill Towns Funding to the project subject to a number of conditions.
28. This is a deliverable project, which should achieve good value for money, with a strong strategic fit. In light of the positive independent assurance of business case, the Board are asked to agree the recommendations as set out in this report.
29. Subject to the agreement of the Council's Policy and Resources Committee on 26th May, a Project Summary Document will be submitted to Government signed by the Chair of the Town Deal Board and the Council's Chief Executive or S151 Officer.

IMPLICATIONS

Policy: The project will support the delivery of the Nelson Town Investment Plan.

Financial: The Board are asked to recommend funding approval to Pendle Borough Council. Subject to their agreement, the Project Summary Document will be submitted to Government. Only once this is approved will project delivery funding be released.

The funding profile for the project varies from that submitted to Government with the project confirmation tables in Sept 21. This is the basis upon which annual funding would be released and performance would be measured. We understand that there is likely to be an opportunity to update funding profiles to reflect the outcome of business case development work, etc, in summer 2022.

Legal: None directly arising from this report.

Risk Management: None directly arising from this report.

Health and Safety: None directly arising from this report.

Sustainability: None directly arising from this report.

Community Safety: None directly arising from this report.

Equality and Diversity: None directly arising from this report.

Appendix 1: Business Resilience and Growth Project Appraisal Report by ekosgen