



**Appraisal of the 'Advanced Digital Skills  
Academy' Towns Fund Proposal**

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

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# 1 Project Overview and Appraisal Approach

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## Key Points

- £2.29m of Towns Fund monies is being requested to deliver the Advanced Digital Skills Academy project. This investment comprises:
  - A College 'Hub' providing space for over 100 new teaching spaces, access to state-of-the-art equipment, and a business hub to facilitate the interaction between learners and employers; and
  - The Town Centre 'Spoke' which will focus on developing learning pathways for Adult Learners to develop their digital skills and provide credible, business friendly workspaces for start-ups to enable collaboration and training.
- ekosgen has prepared this appraisal in line with Green Book principles, based on the submitted project business case, supporting documents and clarification responses secured during the appraisal.

## Scheme Overview

### Overarching ambition

1.1 The applicant (Nelson & Colne College Group - NCCG) is requesting £2.290m of Towns Fund investment towards a total project cost of £3.252m to deliver an **Advanced Digital Skills Academy** across two sites in Nelson. This aims to integrate world-class teaching, innovation and business within a College campus setting and create a new town centre learning environment for digital skills. The project responds to an existing shortfall in digital skills in Lancashire and a growing demand from employers for digitally-skilled employees.

1.2 This project constitutes one of eight shortlisted priority projects that have been identified through the development of the Nelson Town Investment Plan.

1.3 The stated investment objectives of the Advanced Digital Skills Academy are:

- **IO1:** To reinforce links between the College and the Town Centre through a physical presence to drive footfall and enhance place vitality;
- **IO2:** To address the digital skills gap by providing access to high quality facilities and teaching environments;
- **IO3:** To ensure that Nelson's residents have the skills they need to access higher value employment and participate in the modern economy; and
- **IO4:** To create an innovative environment to support skills development, research and development and enterprise.

### Scope of works

1.4 The project comprises three capital phases across two locations: the NCCG Scotland Road Campus ('**College Hub**') and Nelson Town Centre ('**Town Centre Spoke**'). The preferred location of the proposed Spoke is at the currently underutilised ACE (Arts, Culture and Enterprise) centre.

1.5 The **College Hub** element involves the refurbishment of parts of the existing college estate that are currently underutilised to create over 100 new teaching spaces with access to state-of-the-art equipment. This will help to alleviate capacity constraints the College estate currently faces, facilitate the provision of new digital T-Level courses at the College and also enable better access to facilities for

all learners wanting to improve their digital skills but who are not enrolled on courses with an explicit 'digital' focus. This element is comprised of two capital phases.

1.6 The **Town Centre Spoke** element has a focus on digital skills learning pathways for adult learners. This will offer upskilling and retraining opportunities at a range of levels including foundational skills to improve employability through to more specific, higher level (Level 2/3) courses to meet the specific digital skills demands of employers. This element will provide a business hub to encourage interactions between learners and employers as well as business workspace for start-ups.

1.7 With the existing College campus located outside of the Town Centre, a key objective of the two project elements operating in tandem is to drive greater activity from the College to the centre of Nelson. The purpose of this is to establish a more physical link between local employers and young and adult learners as well as supporting a more vibrant Town Centre.

## Activity and Outputs

1.8 The table below summarises the project outputs and outcomes.

### Outputs

Amount of capacity of new or improved training or education facilities:

- **College Hub:** Two areas of the Scotland Road campus will be remodelled bringing 800 sqm of currently underutilised space back into use, creating 108 training spaces to be used by approximately 400 students per year.
- **Town Centre Spoke:** A new town centre learning facility will be developed through the refurbishment of up to 300 sqm space at the underutilised ACE centre in Nelson. The new facility will support over 250 learners per year by 2027/28.

Number of closer collaborations with employers:

- The total number of formal agreements with employers is still to be determined and therefore does not form a specific target for the project at this stage. However, both facilities will be designed with employer engagement in mind and the provision of T-levels ensures learners are in receipt of significant work placements.

Number of learners gaining certificates, graduating or completing courses at new or improved training or education facilities or attending new courses:

- By 2027/28, 510 learners will be directly enrolled, a cumulative total of 1,250 will be enrolled across the Town Deal funding period i.e. to 2025/26. There is potential for a further 300 learners per year to utilise the new teaching space at the College Hub each year, albeit less intensively.

Number of potential entrepreneurs assisted to be enterprise ready:

- Total number of entrepreneurs assisted does not form a specific target for the project at this stage, however workspace and training will be made available to start-ups and established businesses in the Town Centre Spoke facility.

Amount of floorspace repurposed:

- The Town Centre Spoke is earmarked for a facility in Nelson known as the ACE centre whose current operations have been shown to be unviable at this location. Subject to contractual arrangements with Pendle Borough Council this will be leased, refurbished and repurposed.

### Outcomes

Skills acquisition and associated increase in productivity/human capital within the workforce:

- Approximately 85% of new learners enrolled in Digital Skills Academy courses are expected to gain a recognised qualification. This equates to 436 per year by 2027/28, a cumulative total of 1,950.
- Others will gain valuable foundational skills to support their career progression and support their subjective wellbeing – creating social value for the residents of Nelson.

Wider Land Value Uplift – connectivity with the town through the provision of the Spoke element of the project will drive additional footfall to commercial properties. By bringing underutilised property back into use and increasing the vibrancy of the town centre, residential property values will also experience an uplift.

#### Wider Benefits Include:

A total of 200 new high-specification PCs with industry standard software that will be deployed within the Academy to support learners.

Increased entrepreneurialism with the spaces created across the Digital Skills Academy to be made available to start-ups and businesses. The new state-of-the-art equipment and software will allow for innovation that would otherwise be inaccessible to smaller local businesses.

Labour Supply Impacts – although the scheme does not create significant numbers of new posts at the College, the interventions are expected to:

- Help unemployed and inactive residents back into the labour force.
- Encourage interaction between students and local employers to ensure young people's skills are retained in the labour force.

## Appraisal Approach

1.9 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).

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

- Advanced Digital Skills Academy Business Case received 14<sup>th</sup> March 2022 and updated Business Case received 6<sup>th</sup> April 2022

- Clarification Responses (received 6<sup>th</sup> April 2022)
- Supporting Appendices, including:
  - RIBA 2 report inc. Designs, Project Plan and Risk Register
  - Phase 1 cost plan
  - Phase 2 cost plan
  - Evidence of Match Funding
  - Letter of authority to submit business case
  - Insurances
  - Equality & Diversity Strategy
  - People Management Policy
  - Health & Safety Policy
  - Procurement Policy
  - Evidence of Land Ownership
  - Communications & Engagement Plan
  - Letter of Support – Pendle Borough Council
  - SRO Assurance Letter
  - Letter of Support – Pendle Borough Council Planning Team

1.11 Findings have been presented case by case.

## 2 Strategic Case

### Key Points

- The project is aligned with local policy objectives and supports objectives outlined in the Nelson Town Investment Plan.
- The business case demonstrates an under provision of digital skills and facilities in Nelson and evidence of stakeholder support for the proposals.
- The business case clearly sets out the outcomes that can be achieved for young people and the local community.

### Recommendation:

- **The case as set out is suitable for investment**

2.1 Assessment of the strategic case considers the project's strategic alignment with Towns Fund objectives and the wider local policy context, evidence of the case to intervene and the connection between the project and identified issues and opportunities.

### Strategic Fit

2.2 The delivery of the Advanced Digital Skills Academy aligns with the ambitions of the Town Investment Plan to improve access to skills and quality jobs, enhance digital connections and support young people. This reflects priorities set out in a range of national, sub-regional and local policy documents, including Levelling Up the United Kingdom (2022), Build Back Better, UK Digital Strategy (2017), T Levels, Lancashire Strategic Economic Plan, Lancashire Digital Skills Partnership, Lancashire's Emerging Local Industrial Strategy, Lancashire Skills and Employment Framework, Lancashire Digital First Strategy 2019-2024 and the Pendle Economic Growth and Resilience Strategy.

2.3 The business case clearly articulates how the project will support Town Investment Plan strategic objectives and how the project's outputs and outcomes align with those specified within the Towns Fund Intervention Framework (as summarised in the table below).

Outcome	Output
<ul style="list-style-type: none"> <li>• Delivery of quality space in key locations (town centre)</li> <li>• Increase in capacity and accessibility to new skills facilities</li> <li>• Increased and closer collaboration with employers</li> <li>• Increase in the breadth of the local skills offer that responds to local skills needs</li> <li>• Increase in the amount of shared workspace or innovation facilities</li> <li>• Provision of specialist digital technologies to meet the needs of specific sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced townscape that is more attractive and accessible to residents, businesses and visitors</li> <li>• Increased share of young people and adults who have relevant skills for employment and entrepreneurship</li> <li>• Number of start-ups and / or scale ups utilising business incubation, acceleration and co-working spaces</li> <li>• Increased utilisation of digital channels, by businesses</li> <li>• Increased ability for individuals to work remotely / flexibly</li> </ul>

### Rationale and Logic for Intervention

2.4 The business case demonstrates how the project both address key challenges and responds to core opportunities set out in the Nelson Town Investment Plan. The challenges of lower skill levels and poor earnings, limited local opportunities and poor perceptions of the town, and a lack of connectivity between the town centre and employment locations are evidenced using locally specific data and

intelligence. Evidence of engagement with local stakeholders has been clearly articulated within the business case.

2.5 In addition, the strategic case outlines the limited existing digital connections and capacity to increase skill levels, and the provision of the Digital Skills Hub represents new, positive activity. Evidence from the business case demonstrates this local skills deficit and demonstrates a need to increase the provision of and capacity for digital skills. The business case draws upon evidence from the Town Investment Plan evidence of need report and also references how the project can respond to the impacts of COVID-19 by providing residents with digital skills needed to navigate an evolving digital, flexible and remote working landscape.

2.6 It is the appraiser's view that the approach to the project is well evidenced and based on a clear rationale.

## Clarity of Objectives and Market Failure

2.7 The business case clearly demonstrates how the project both addresses key challenges and responds to core opportunities set out in the Nelson Town Investment Plan. The business case clearly sets out the investment objectives:

- **IO1:** To reinforce links between the College and the Town Centre through a physical presence to drive footfall and enhance place vitality;
- **IO2:** To address the digital skills gap by providing access to high quality facilities and teaching environments;
- **IO3:** To ensure that Nelson's residents have the skills they need to access higher value employment and participate in the modern economy; and
- **IO4:** To create an innovative environment to support skills development, research and development and enterprise.

2.8 A logic model is set out for the project which shows the link from the context for intervention, rationale, activities, outputs, outcomes through to intended impacts. The logic model helps to articulate the project and demonstrate the case for intervention.

2.9 As evidence of market failure, the business case cites coordination failure in addressing digital skills shortages and the positive externalities associated with increased town centre footfall and spillover benefits for local businesses. Both market failures are considered to be valid for the project and demonstrate the need for public intervention.

### 3 Economic Case

#### Key Points

- The economic case assessment complies with the place-based approach to impact assessment outlined in the HM Treasury Green Book (2020) and Towns Fund guidance.
- Appropriate benefits were identified to reflect the nature of activities proposed and the purpose of interventions.
- The assessment identified Option 5 as the preferred option with a BCR of 2.9.
- Sensitivity testing shows that the project would continue to offer a positive return on investment under a worst-case scenario.

#### Recommendation:

- **The case as set out is suitable for investment**

3.1 The economic case was produced by Hatch, an economic development consultancy with experience producing Green Book compliant economic cases for a range of funding streams and intervention types.

#### Options Identified and Assessed

3.2 The options appraisal follows a standard approach providing a range of options for consideration, including a 'do nothing' (reference case) scenario in line with Green Book Guidance. The business case sets out the following options:

- **Option 1: Do Nothing:** the reference case option is based on an existing funding commitment from Nelson and Colne College to deliver the Hub refurbishment (Phase 1) capital works alongside committed Department for Education (DfE) match funding towards the College's T-Level programme. Under this option (without Towns Fund contribution) both the second phase of the Hub refurbishment and the Nelson Town Centre provision ('Spoke') would not happen. Furthermore this option involves the college committing a greater level of investment towards the Phase 1 Hub refurbishment. This will involve a drawdown of £0.725 million from the NCCG Strategic Investment Fund. This demonstrates the College's financial commitment to the delivery of the Phase 1 capital works in the event that the requested Towns Fund contribution is not secured. However, this option would result in a depletion of the College's strategic funds which will not be available to deploy as match funding toward other strategically important schemes in the region.
- **Option 2: Redevelopment of College facilities only:** this option involves the repurposing of existing facilities within NCCG's main site building at Scotland Road, bringing back into use two areas of the college estate (catering and performing arts) that are currently underutilised. This option will create a high quality and expanded space for digital learning, making this available to a wider range of learners at the College site.
- **Option 3: Provision of Spoke at Market Street only:** this option involves the delivery of the Town Centre 'Spoke' only. This option would provide flexible drop in spaces and an employer hub facility that, allowing for the relocation and expansion of existing adult learning provision currently undertaken at the College. A new Spoke service will ensure learners are able to progress beyond foundational and level 2 qualifications into higher levels.

- **Option 4: Provision of Spoke at the ACE centre only:** the same as Option 3 but using the ACE (an underutilised arts, culture and enterprise venue) in Cross Street, Nelson Town Centre.
- **Option 5: (Preferred Option) – ACE centre 'spoke' in addition to college redevelopment:** this option involves the combination of Options 2 and 4, delivering a comprehensive 'Hub' and 'Spoke' model. This would allow the project to deliver a wider offer for both full-time learners in a college setting and a broad range of adult learners in a more bespoke/tailored environment and accessible location i.e the Town Centre Spoke.
- **Option 6: Do Maximum:** this option involves a new build College Hub facility at Scotland Road (leaving the existing buildings in their current, underutilised state). In addition, this option involves the delivery of a more comprehensive Town Centre offer including co-location with an anchor employer.

3.3 A qualitative RAG approach is adopted to assess the long list of options against four project specific investment objectives<sup>1</sup> (see Strategic Case for further detail) and three critical success factors<sup>2</sup> aligned to the Nelson Town Deal Investment Plan. Issues of deliverability and affordability were considered through critical success factors 2 and 3 respectively. The appraiser is satisfied that each option's RAG rating against each investment objective and critical success factor can be understood and is supported by clear explanation.

3.4 Option 5 is identified as the only option to fulfil all investment objectives and critical success factors and is selected as the preferred option. Whilst performing strongly against all investment objectives, Option 6 (Do Maximum) is discounted on the basis of deliverability and affordability constraints. Options 3 and 4 (provision of town centre spoke only) are both discounted on the basis of failing to meet CSF1 - meeting employer needs due to the weaker interactions with students in the main college. In comparison to Option 6, Option 2 (Redevelopment of College facilities only) provides a more realistic alternative option from an affordability and deliverability perspective.

3.5 A shortlist of three options is therefore identified for further consideration, comprising:

- Option 1 (Do Nothing) – the reference case;
- Option 2 (Redevelopment of College facilities only) – the alternative option; and
- Option 5 (ACE centre 'spoke' in addition to college redevelopment) – the preferred option.

## Project Costs

3.6 All costs are discounted at a rate of 3.5% per annum in line with HM Treasury guidelines. All future costs are deflated to 2021/22 prices using an appropriate GDP deflator<sup>3</sup>.

3.7 VAT is treated as a transfer between parties involved in funding the investment (i.e. the VAT incurred by the private sector is treated as a revenue stream for the public sector and these contributions are deducted from public sector funding). This is considered to be an appropriate approach, however

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<sup>1</sup> **IO1:** Reinforce links between the College and the Town Centre; **IO2:** Address the digital skills gap; **IO3:** Residents' skills to access higher value employment; **IO4:** Innovative environment to support skills development, research and development and enterprise.

<sup>2</sup> **CSF1:** A strong fit with the identified Strategic Objectives for employer engagement: meeting employer needs and stimulating enterprise and business start-up and growth; **CSF2:** Delivery/operational model - delivery of the project across both the capital investment and operational phases must be technically achievable and sustainable **CSF3:** Affordable: the funding streams available to the project must be capable of funding the option

<sup>3</sup> TAG Annual Parameters, November 2021

we note that it is not entirely consistent with the treatment of VAT in other businesses cases submitted to Nelson Towns Fund - where costs are simply presented net of VAT.

3.8 Optimism Bias (OB) has been applied to all public and private sector costs and has been applied differentially to each element.

- For the College Hub, there is a high degree of certainty over Phase 1 costs as this phase is already out to tender and a contractor is due to be appointed by Q2 2022. Estimates have been provided by a team with prior knowledge of the college estate and the design process is at an advanced stage. There is less certainty over Phase 2 costs as this phase is not well advanced and, on this basis, the midpoint of the OB range for standard buildings (13%) has been applied to the entire College Hub element.
- In contrast, the OB upper bound for standard buildings (of 24%) is applied to the Town Centre Spoke capital costs, reflecting the earlier stage of development relative to the College Hub element and its anticipated delivery at a later stage.
- For all project revenue costs OB has been applied at 10%.

3.9 The appraiser is satisfied that all OB adjustments are appropriate and in line with HM Treasury guidance.

3.10 The Phase 1 capital works at the College are committed irrespective of Town Deal funding. On top of its nominal funding commitment to the project (£0.496m), the reference case assumes that NCCG would draw down £0.725m from its Strategic Investment Fund and access DfE match funding to complete the teaching space and ensure delivery of its T-level programme. The reference case (Option 1) deadweight spending is netted off the private sector costs for both the preferred and alternative options. The table below summarises the net present value of economic costs for the three shortlisted options, including optimism bias and net of deadweight (Options 2 and 5).

Economics costs by funding source, £ 2021 PV, inc. optimism bias net of deadweight			
Funding source	Option 1 (Do Nothing) - Deadweight	Option 2 (Alternative Option)	Option 5 (Preferred Option)
Town Deal	£0.000m	£2.093m	£2.388m
Nelson and Colne College Group	£1.294m	(£0.889m)	(£0.798m)
DfE T-level funding	£0.212m	(£0.201m)	(£0.236m)
<b>Total</b>	<b>£1.506m</b>	<b>£1.003m</b>	<b>£1.354m</b>

*Economic case workings provided April 2022 and ekosgen calculations*

## Project Benefits

3.11 The benefits identified as part of the project's Benefit to Cost Ratio (BCR) assessment include those relating to **skills acquisition** and **wider land value uplift**.

3.12 Benefits related to **skills acquisition** capture the wellbeing and human capital/productivity benefits associated with obtaining higher level digital skills and improved educational attainment. The applicant has captured benefits across five separate learner categories. A description of the benefit alongside the number of learner beneficiaries (by 2027/28) is provided in the table below.

Learner category	Description of benefit	Learners benefitting
Employers upskilling staff	<ul style="list-style-type: none"> <li>• Learners (employees) attaining accredited 'in work' training and CPD developed by employers in partnership with the College</li> </ul>	120 learners per year (95% attaining accreditation)

	<ul style="list-style-type: none"> <li>Utilising dedicated College employer 'hub' space to engage with employers</li> </ul>	
Adult entry level courses	<ul style="list-style-type: none"> <li>Learners attaining foundational/entry level digital courses for adults</li> <li>Town Centre Spoke location improves accessibility to existing courses provided at the College</li> </ul>	Up to 170 learners per year by 2027/28
Adult reskilling	<ul style="list-style-type: none"> <li>Learners attaining Level 2 and 3 qualifications targeted at specific strategic digital skills requirements</li> <li>Enable employees to access promotions and higher paid positions</li> </ul>	Up to 50 learners per year by 2027/28
Adult upskilling/higher technical	<ul style="list-style-type: none"> <li>Learners attaining Level 4/5 (Higher National Certificates or higher level apprenticeships)</li> </ul>	Up to 40 learners per year by 2027/28
16-19 digital T-Levels	<ul style="list-style-type: none"> <li>Learners attaining new Digital T-Levels (being delivered at the College from September 2022)</li> </ul>	Up to 130 learners per year by 2027/28

3.13 In principle, the appraiser is comfortable that the various learner categories presented in the applicant's business case are sufficiently distinct from one another to justify their inclusion as separate benefits. However, to assess the risk of individual learner benefits being captured across multiple categories (double counting) it is prudent to undertake a sensitivity test that captures a narrower set of learner categories. The effects on the value for money assessment of removing the 'employers upskilling staff' learner category are presented in the 'Risk and Sensitivity Analysis' section below.

3.14 The applicant's business case provides a helpful summary of the profile of learner beneficiaries per year, showing how activity ramps up throughout the appraisal period (Table 3.13). This assumes that learner productivity benefits will persist for a period of five years which is considered to be a reasonable period for an intervention of this type.

3.15 Appraiser clarifications have provided justification for the estimates of learner beneficiaries in each category citing internal estimates from the College management team. Specifically around 'adult reskilling' and 'adult upskilling/higher technical' categories, the estimates are considered to be conservative. This provides reassurance that learner beneficiary estimates are realistic and that there is a reduced risk of learner benefits being overstated.

3.16 **Wider land value uplift** (WLVU) has been calculated at a programme-wide level for Nelson, with 9.51% of the uplift attributed to the Advanced Digital Skills Academy based on the proportion of the project's Towns Deal funding ask.

3.17 Clarifications provided additional justification for the inclusion of wider Land Value Uplift by virtue of the project increasing footfall within Nelson town centre, bringing an underutilised town centre building back into productive use (reducing vacancies) and improving wider perceptions of Nelson among visitors and residents. Allied to other complementary Towns Fund initiatives it is estimated that these factors will contribute towards improving the desirability of the area which will have a positive impact on the commercial and housing market in Nelson. While the appraiser broadly agrees with this approach in principle, it is helpful that the applicant includes a sensitivity test to remove the effects of WLVU.

3.18 The identified project benefits associated with skills acquisition and wider land value uplift are consistent with Green Book and Towns Fund guidance.

3.19 The business case includes a narrow range of wider, non-monetised benefits:

- The potential for the adult learning offer to bring economically inactive residents back into the labour force by meeting a recognised demand from employers for IT skills; and

- The potential to stimulate innovation activities through knowledge transfer generating productivity improvements at a firm level as well as at the level of individual employees. This is facilitated by the use of the College's employer hub where employers can use the state-of-the-art equipment for training and use the space for collaboration.

3.20 The list of wider benefits identified is reasonably narrow but are all relevant and reinforce the case for investment.

## Assumptions Applied

3.21 The following overarching assumptions have been applied by the applicant in relations to project benefits:

- **Assessment period:** assessment includes a 12 year appraisal period (or ten years from project delivery) capturing benefits over the first five years, and persistence of benefits for five years from when they are realised;
- **Discounting:** a 3.5% per annum social discount rate, in line with HM Treasury guidelines;
- **Current prices:** all monetised benefits are converted to 2021 prices;
- **Gross to net adjustments:** the additionality assumptions applied by the applicant are set out in the table below

Identified benefits, assumptions and adjustments for Option 5 (preferred option)		
Identified benefit	Assumptions applied	Net Present Value
<b>Skills acquisition</b>		
Employers upskilling staff	<ul style="list-style-type: none"> <li>• Application of a 4.3% uplift in wages to average gross weekly earnings for full time workers in the North West<sup>4</sup> based on analysis of ONS statistics on the wage benefit to employees that participate in in work training<sup>5</sup></li> <li>• Per worker uplift in wages of <b>£1,292</b> applied to <b>114 learners per year<sup>6</sup></b> with 5 year benefit persistence</li> <li>• No deadweight applied since this learner category is not supported in the reference case</li> <li>• Displacement of 17.9% and leakage of 13.5% as per HCA Additionality Guide sub-regional mean for 'People and Skills' intervention type</li> </ul>	£2.133m
Adult entry level courses (unskilled)	<ul style="list-style-type: none"> <li>• Application of ONS human capital estimates to assess a productivity premium applied to adult learners whose earnings trajectory is increased over their lifetime by attaining a foundational course</li> <li>• This approach compares the value of the stock of human capital for those with any qualification to no qualifications (in the North West), and divides by an assumed 40 year working life to arrive at a premium of <b>£2,246</b> (uprated from 2018 to 2021 values)</li> <li>• Premium applied to up to <b>170 learners per year by 2027/28</b> with 5 year benefit persistence</li> <li>• Deadweight of £4.579m applied to reflect existing activities carried out by the College (100 learners per year supported)</li> <li>• Displacement of 17.9% and leakage of 13.5% as per HCA Additionality Guide sub-regional mean for 'People and Skills' intervention type</li> </ul>	£1.390m

<sup>4</sup> ONS Annual Survey of Hours and Earnings (2021)

<sup>5</sup> Based a 4.3% uplift in wages to Process, Plant and Machine operatives undertaking in work training

<sup>6</sup> 95% of 120 learners gaining some form of accreditation

Adult up/reskilling (Levels 2/3)	<ul style="list-style-type: none"> <li>• Application of Business Innovation and Skills (now BEIS) estimates (2011) of the marginal lifetime impact of gaining intermediate level technical qualifications (Level 2/3)</li> <li>• Average benefit of <b>£1,397</b> per annum (uprated to 2021 from 2011 prices) applied to up to <b>50 learners per year by 2027/28</b> with 5 year benefit persistence</li> <li>• Deadweight of £0.712m applied to reflect existing activities carried out by the College (25 learners per year supported)</li> <li>• Displacement of 17.9% and leakage of 13.5% as per HCA Additionality Guide sub-regional mean for 'People and Skills' intervention type</li> </ul>	£0.294m
Adult upskilling/higher technical (Levels 4/5)	<ul style="list-style-type: none"> <li>• Application of ONS human capital estimates for degree educated workers<sup>7</sup> compared to A-Level (as a proxy for higher technical qualifications) and dividing by an assumed 40 year working life to arrive at a premium of <b>£1,290</b> (uprated from 2018 to 2021 values)</li> <li>• Applied to up to <b>40 learners per year by 2027/28</b> with 5 year benefit persistence</li> <li>• Deadweight of £0.526m applied to reflect existing activities carried out by the College (20 learners per year supported)</li> <li>• Displacement of 17.9% and leakage of 13.5% as per HCA Additionality Guide sub-regional mean for 'People and Skills' intervention type</li> </ul>	£0.198m
16-19 digital T-Levels (Level 3)	<ul style="list-style-type: none"> <li>• Application of the marginal lifetime impact of gaining intermediate level technical qualifications (Level 2/3) – as per the assumptions for Adult up/re-skilling above</li> <li>• <b>£1,397</b> per annum applied to up to <b>130 learners per year by 2027/28</b> with 5 year benefit persistence</li> <li>• Deadweight of £2.933m applied to reflect committed digital T-level support for learners (103 learners per year)</li> <li>• Displacement of 75% and leakage of 75% as per HCA Additionality Guide 'very high' ready reckoner</li> </ul>	£0.028m
<b>Wider land value uplift</b>		
Wider land value uplift - residential	<ul style="list-style-type: none"> <li>• WLVU has been quantified at the programme level with 9.51% of the benefit attributed to the Advanced Digital Skills Academy</li> <li>• Calculated by multiplying the residential units registered with the Valuation Office Agency for Council Tax within 10 Lower Super Output Areas comprising the town of Nelson by the weighted average house price in that area (£71,512)<sup>8</sup></li> <li>• Assuming an annualised growth rate of 1%, displacement of 50% and benefit persistence of 5 years from 2025</li> <li>• Applied only to the preferred option, assuming that WLVU benefits are derived only by establishing the increased connectivity between the Town Centre and College campus</li> </ul>	£0.687m
Wider land value uplift - commercial	<ul style="list-style-type: none"> <li>• Quantified at the programme level with 9.51% of the benefit attributed to the Advanced Digital Skills Academy</li> <li>• Calculated by multiplying the commercial units registered by the Valuation Office Agency within 10 Lower Super Output Areas comprising the town of Nelson by the weighted average commercial unit prices in that area (£110/sqm and a capital yield of 8%)<sup>9</sup></li> <li>• Assuming an annualised growth rate of 1%, displacement of 50% and benefit persistence of 5 years from 2025</li> </ul>	£0.663m

<sup>7</sup> 50% of the additional human capital for degree educated workers is used in place of estimates for higher education to avoid a counterintuitive result (higher education estimates are lower than A-level equivalents)

<sup>8</sup> ONS (2021) Mean house prices by lower layer super output area: HPSSA dataset 47

<sup>9</sup> Derived through CoStar

- Applied only to the preferred option, assuming that WLVU benefits are derived only by establishing the increased connectivity between the Town Centre and College campus

## Summary of Project Benefits

3.22 The table below summaries the net present value project benefits for Options 2 and 5. These are presented net of deadweight (the reference case). The preferred option (Option 5) delivers greater social value (£4.044m) compared to the alternative option (Option 2) (£2.359m).

Project benefit	Option 2 (Alternative Option)	Option 5 (Preferred Option)
<b>Skills acquisition</b>		
Employers upskilling staff	£2.133m	£2.133m
Adult entry level courses (unskilled)	-	£1.390m
Adult up/reskilling (Levels 2/3)	-	£0.294m
Adult upskilling/higher technical (Levels 4/5)	£0.198m	£0.198m
16-19 digital T-Levels (Level 3)	£0.028m	£0.028m
<b>Wider land value uplift</b>		
WLVU - residential	-	£0.687m
WLVU - commercial	-	£0.663m
<b>Total</b>	<b>£2.359m</b>	<b>£4.044m</b>

3.23 Whereas the other four learner categories deliver benefits to an expanded number of learners compared to the College's existing provision, the employer upskilling staff benefit represents an entirely new benefit that will not be realised without intervention. Since there is no deadweight to apply, the employer upskilling staff benefit constitutes over 50% of the social value derived under the preferred option and the majority of social value under the alternative option (c.90%). As indicated earlier in this section, it is useful to understand the effect on the value for money case of removing the 'employers upskilling staff' learner benefits by way of sensitivity analysis (see below).

## Forecast Return on Investment

3.24 The appraiser sought minor clarifications within the value for money assessment which have been addressed by the applicant. As a result, no adjustments to the assumptions made on costs and benefits are made by the appraiser.

3.25 The forecast return on investment identified the preferred option to be Option 5 with a Benefit-Cost Ratio (BCR) of 2.9. The BCR of Option 2 was identified as 1.7. This demonstrates that the preferred option delivers good value for money.

	Option 2 (Alternative Option)	Option 5 (Preferred Option)
<b>Economic benefits</b>		
	£2.359m	£4.044m
	-	£0.687m
	-	£0.663m
(A) <b>Total economic benefits</b>	<b>£2.359m</b>	<b>£5.394m</b>
<b>Economic costs</b>		
(B) Towns Fund cost/funding	£2.093m	£2.388m
(C) Co-funding	(£0.201m)	(£0.236m)
(D) Total public sector funding	£1.893m	£2.152m
(E) Private sector funding	(£0.889m)	(£0.798m)
(D)+(E) <b>Total economic costs</b>	<b>£1.003m</b>	<b>£1.354m</b>

## Risk and Sensitivity Analysis

3.26 High level sensitivity analysis on the BCR was undertaken by the applicant to test the impact of three scenarios. Switching value analysis was also undertaken.

3.27 The applicant tested the following three scenarios:

- Removing the impact of wider land value uplift thereby focusing the value for money assessment solely on the benefits related to skills acquisition;
- Halving the values for marginal productivity gain across each of the five learner categories; and
- Reducing the persistence of skills productivity uplift (across each learner category) to 3 years (compared to 5 years).

3.28 Linked to the appraiser's earlier comments it is considered prudent to assess the effect of removing the benefits associated with employer upskilling as a further sensitivity test. Although the applicant has provided adequate justification for the inclusion of this particular learner category, the purpose of this sensitivity test is to mitigate the risk (although small) of learner benefits being double counted. Furthermore, the net present value of the employer upskilling constitutes over 50% of the total value attributable to education/skills acquisition benefits and so it is sensible to assess whether its removal leads to a fundamentally different value for money proposition.

3.29 The table below sets out the BCR for Option 5 (preferred option) under each of the four scenarios. This analysis indicates that all scenarios can offer an appropriate return on investment and that, overall, the project can withstand major reductions to core input assumptions whilst still offering value for money.

Scenario	BCR
<i>Option 5 baseline</i>	<i>2.88</i>
Undertaken by the applicant:	
<b>Scenario 1:</b> Removal of WLUV	2.25
<b>Scenario 2:</b> Halving of marginal productivity gains for learners	1.98
<b>Scenario 3:</b> Reduction in productivity uplift persistence	2.16
Undertaken by the appraiser:	
<b>Scenario 4:</b> Removal of 'employer upskilling' learner category	1.89

## 4 Financial Case

### Key Points

- Towns Fund monies of £2.290 million has been requested towards a project cost of £3.252 million across both elements (College Hub and Town Centre Spoke) of the preferred option.
- The balance of funding is due be met by match funding, comprising:
  - Nelson and Colne College Group (£0.482 million); and
  - Department for Education (£0.480 million).
- Greater certainty over costs can be attributed to the College Hub element which constitutes the majority (89%) of the total preferred option cost with tender prices secured for Phase 1 of this element.
- Nelson and Colne College Group's commitment to draw down additional funds from its Strategic Investment Fund in the event of cost overruns helps to mitigate inflationary risk attached to the second phase of the College Hub element and for the Town Centre Spoke element. Notwithstanding, the appraiser believes that inflationary pressures and cost overruns to these elements could pose a notable risk to the project and should be closely monitored by the Town Board.
- Without Town Deal support Phase 1 of the College Hub element will be self-sustaining and additional private sector (NCCG) costs can managed without immediate effects on projects outputs linked to this project element.

### Recommendation:

#### The case is suitable for investment subject to the following specific conditions being met:

- The implications of cost inflation and cost overruns should be carefully monitored over the coming months, so that suitable mitigations can be identified at the earliest opportunity.
- A clear process should be agreed for determining suitable mitigations, where they have the potential to impact on the scale or range of uses that can be delivered.

4.1 Review of the financial case has considered the clarity of costs, certainty of the remainder of the funding and the ability of the scheme to be sustainable beyond Town Deal support.

### Project Cost Breakdown

4.2 The project has a total cost of £3.252 million (including VAT). This comprises £3.028 million capital costs (93%) and £0.224 million revenue costs (7%). These are split across the College Hub and Town Centre Spoke elements and, while they are independent of each other, they are complementary and together form the preferred option. Each element has a separate budget and risk profile.

4.3 The College Hub element is currently at a more advanced stage and represents a total cost of £2.880 million. This constitutes 89% of the total project costs. The Town Centre Spoke element represents a cost of £0.372 million. The expected annual profile of both capital and revenue costs are presented in the table below.

Component	Total Cost (£ m)	21/22 Year 1	22/23 Year 2	23/24 Year 3	24/25 Year 4	25/26 Year 5
Construction Work	2,592	112	1,384	1,072	24	-
IT	294	-	234	60	-	-
Other fit out	142	-	88	54	-	-

Total capital	3,028	112	1,706	1,186	24	-
Revenue	224	-	43	75	75	31
<b>Total cost</b>	<b>3,252</b>	<b>112</b>	<b>1,749</b>	<b>1,261</b>	<b>99</b>	<b>31</b>

## Project Cost Assumptions

4.4 Costs have been determined by Pearson Fraser quantity surveyors (Manchester based cost consultants) on the basis of designs by Ellis Williams Architects. Cost plans (dated 3 March 2022) have been provided by the applicant which relate to constituent phases of the College Hub element. Detailed costings are not available for the Town Centre Hub element which is far less developed and cost estimates have been derived on the basis of management estimates. Although constituting 11% of the total funding requirement, this is identified as a key project risk (see Management Case).

4.5 A contingency allowance of 10% has been built into the cost of capital works (excluding IT) for the College Hub element. It is not clear whether a contingency allowance has been built into costings for the Town Centre Spoke element. A fixed allowance for inflation has been built into cost estimates for the College Hub, equating to 5.4% of the net value of construction works (inclusive of contractor preliminaries, overheads and profit).

4.6 During the appraisal process it has been confirmed that tender prices for the first phase of works at the College Hub have been received, providing cost certainty for this phase. The appraiser understands that these fixed prices are over budget; however, the project team has confirmed that value engineering is possible without altering any of the project's intended outputs. The fact that a fixed price for the first phase of works (c.50% of the capital cost of the College Hub) has been obtained helps to mitigate inflationary risk in the short term and reduces ongoing risk for the second phase of works (to be tendered in Q1 2023). Notwithstanding, due to current volatility in the cost of construction materials it will be important to monitor the impact of cost inflation given the current and projected rates of inflation. As such, the appraiser believes that inflationary pressures could pose a notable risk to these project elements.

4.7 Whilst the business case identifies ways in which potential inflationary pressures may be mitigated (principally through value engineering), given the likelihood and risks associated with these it is suggested that the applicant should set out how elements might be value-engineered should the current proposals be unaffordable at the time of procurement. It will be important to ensure that there are opportunities for the Town Board to review any amendments to ensure that project outputs are not impacted. The affordability of the proposals should therefore be closely monitored by Pendle Borough Council and the Town Board and a clear process should be agreed between all parties for agreeing any changes, particularly where they may have an impact on the delivery of project outputs.

## Funding Sources and Certainty

4.8 A Town Deal contribution of £2.290 million is requested towards the cost of both elements of the Preferred Option. This represents 70% of the total cost of works. The Town Deal funding is forecast to be drawn down in accordance with the annual profile shown in the table below.

	21/22	22/23	23/24	24/25	25/26	Total
	Year 1	Year 2	Year 3	Year 4	Year 5	
Revenue	-	£42,000	£59,000	£54,000	-	£155,000
Capital	-	£1,387,500	£712,300	£35,200	-	£2,135,000
<b>Total</b>	-	<b>£1,429,500</b>	<b>£771,300</b>	<b>£89,200</b>	-	<b>£2,290,000</b>

4.9 The applicant has confirmed that match funding has also been secured in the form of:

- DfE capital funding (£480,000) to support the delivery of new digital T-levels starting in September 2022 as part of Phase 1 of the College Hub element; and
- A contribution from NCCG (£482,000<sup>10</sup>) drawn down from its Strategic Investment Fund.

4.10 The breakdown of funding by source is shown in the table below.

Funding source	Total	College Hub	Town Centre Spoke
<b>Town Deal</b>			
Town Deal (capital)	£2,135,000	£1,980,000	£155,000
Town Deal (revenue)	£155,000	£31,000	£124,000
<b>Town Deal (total)</b>	<b>£2,290,000</b>	<b>£2,011,000</b>	<b>£279,000</b>
<b>Match Funding</b>			
Nelson and Colne College Group (capital)	£413,000	£389,000	£24,000
Nelson and Colne College Group (revenue)	£69,000	-	£69,000
<b>Nelson and Colne College Group (total)</b>	<b>£482,000</b>	<b>£389,000</b>	<b>£93,000</b>
<b>DfE T-level funding (capital)</b>	<b>£480,000</b>	<b>£480,000</b>	<b>-</b>
<b>Total funding requirement</b>	<b>£3,252,000</b>	<b>£2,880,000</b>	<b>£372,000</b>

4.11 The cost of the preferred option is therefore fully funded under the cost estimates presented by the applicant. In the event that Town Fund monies are not secured then NCCG has made a commitment to cashflow the early construction works at the College Hub Phase 1, drawing down a greater amount from (c.£0.725 million) from its Strategic Investment Fund to be combined with existing committed DfE match funding. Assurances have been provided that this eventuality is affordable from NCCG's perspective and can be managed without any immediate effects on the college's students or facilities. Furthermore, the contingency provided by the College's Strategic Investment Fund allows for the management of cost overruns and inflationary pressures across the project period (over and above the allowances already factored into project costs). This provides significantly greater certainty on the project's overall sustainability beyond Towns Fund support.

4.12 The key source of uncertainty is the cost of the Town Centre Spoke element which is at a far earlier stage of development. The applicant has sought to mitigate this uncertainty by committing to drawing down the Town Deal funding allocation for this element in accordance with clear delivery milestones.

<sup>10</sup> £413,000 capital; £69,000 revenue

## 5 Commercial Case

### Key Points

- Planning permission for the first phase of College Hub works has been secured. For the second phase of works planning permission remains to be secured but is considered to represent low planning risk. Clear milestones should be set out in order for any delivery risks to be identified at the earliest opportunity.
- Clear procurement arrangements are set out for the College Hub element with main contractor tender prices having already been secured for the first phase of works. A timeline for the procurement of the second phase of works is in place.
- The scheme responds to demand from local employers requiring a more digitally skilled workforce. The expected growth in demand across 16-19 and adult learner cohorts as a result of project outputs is clearly demonstrated.
- Subsidy control advice has yet to be secured.

### Recommendation:

**The case is suitable for investment subject to the following specific conditions being met:**

- Clear milestones for the securing of relevant planning permissions for College Hub Phase 2 and Town Centre Spoke works should be set out in order for any delivery risks to be identified at the earliest opportunity.
- The receipt of independent subsidy control advice.

5.1 Review of the commercial case has considered readiness to proceed from a permissions perspective, the appropriateness of procurement arrangements, compliance with subsidy control and how the scheme responds to market demand.

### Procurement and Contractual Arrangements

5.2 The applicant's procurement strategy for the capital works element of the College Hub follows a traditional procurement route for the appointment of a main building contractor via the Joint Contracts Tribunal (JCT) Intermediate (2016 edition) form of contract. This form of contract ensures that the contractor bears the appropriate responsibility for construction risk meaning that the college will bear very little financial risk once each phase of the project receives tender prices.

5.3 The applicant has confirmed that tender prices for the first phase of works at the College Hub have already been received. It is understood that prices will be sought for the second phase in early 2023.

5.4 The Town Centre Spoke element requires NCCG to lease space at the ACE centre currently occupied by another tenant (Pendle Leisure Trust). It is understood that Pendle Borough Council (owner of the ACE centre building) is supportive in principle of the current lease being surrendered as the building is considered unviable for its current use (community / leisure operations). Any terms of a lease agreement with the Council are therefore yet to be determined and as such remain a key project dependency. The applicant states that cost consultancy and procurement for the Town Centre Spoke element will be developed from Q4 2022 once agreement over the terms of the lease have been agreed and funding has been approved.

## Required Permissions

5.5 Planning permission for phase 1 of the College Hub works is already in place. Planning permission is yet to be secured for phase 2 and an indicative timeframe for the securing of planning permission has not been presented by the applicant. It is, however, suggested that there is low planning risk attached to this phase on account of the fact that NCCG are the freehold owners at the College site, the internal nature of proposed works and the continuity of proposed use. Notwithstanding, the appraiser recommends that clear milestones should be set out in order for any delivery risks to be identified at the earliest opportunity.

5.6 Through the design process the project team has engaged with an Approved Inspector in relation to building regulations compliance. This provides assurances that the College Hub works will be completed in accordance with all necessary approvals.

5.7 Planning permission for the change of use for the ACE centre as part of the Town Centre Spoke project element is also yet to be secured. An indicative timeframe is provided to seek planning approval in Q4 2022. Ensuring that the Town Deal board remain informed of progress against these timeframes for planning approval should be a priority.

## Market Demand

5.8 The commercial strategy of the Advanced Digital Skills Academy project is strongly aligned to the existing College's operations and is designed to meet the demand for improved digital skills identified by employers in the region.

5.9 The commercial strategy clearly demonstrates how the project will build upon the College's existing operations in respect of each of the target learner cohorts. This includes the provision of improved facilities for the teaching of digital skills and the launch of new digital T-levels for the 16-19 learner cohort attending the main College campus. The applicant demonstrates that the new facilities would allow up to 432 students a year to benefit from the new teaching space across a range of courses. The expected growth in the number of students undertaking the digital T-levels is also outlined, rising to 130 learners by 2024/25.

5.10 In respect of the adult learning cohorts, the applicant clearly sets out the overarching strategy for the growth in the adult learner cohort, focusing on adult jobseekers and those looking to return to the labour market. The annual intake of course enrolments covered by the project is expected to follow the pattern outlined in table below.

Courses	2022/23	2023/24	2024/25	2025/26	2026/27
Employers (established)	120	120	120	120	120
Adult unemployed/low skilled/community learning	100	130	150	170	170
Adult reskilling/professional	25	35	40	50	50
Adult upskilling and higher technical	20	25	30	40	40
16-19 (T-levels)	103	103	130	130	130

## Subsidy Control

5.11 Independent subsidy control advice has been sought by the applicant but has not yet been received. The applicant notes that Further Education colleges have traditionally been able to receive public funding without falling foul of State Aid legislation. However, given that there is also a large adult learning component to the proposals – outwith further education elements – this elevates the importance of securing independent subsidy control advice.



## 6 Management Case

### Key Points

- Clear project management arrangements – including named organisations and team members have been identified to deliver the project.
- The project is forecast to be delivered by September 2023.
- An appropriate risk assessment has been prepared to allow key project risks to remain under review.
- Scheme dependencies are identified, including the securing of planning permission and building regulations approval for the second phase of College Hub works and the securing of a lease agreement at the ACE building to ensure the progress of the Town Centre Spoke element.
- Monitoring and evaluation proposals are in place.

### Recommendation:

- **The case as set out is suitable for investment.**

### Project Management Arrangements and Capacity

6.1 The Nelson & Colne College Corporation will be the lead delivery partner on this project as part of the Nelson Town Deal.

6.2 A wider professional team is also in place, with members named in the business case.

6.3 Named staff members have been identified within the College leadership team with regards to the College Hub project element. Through the central management of its existing delivery centres across multiple sites, both project elements will be managed through the College's existing established structures. This provides clarity regarding the coordination of curriculum planning and resourcing across different learner groups. In respect of delivery, named staff members are identified across three identified 'directorates': 16-19 curriculum (Head of Division for Creative and Digital), Lancashire Adult Learning (Assistant Principal for Adult Learning), and the University Centre (Dean of Higher Education).

6.4 The additional staffing requirements associated with the management of the Town Centre Spoke is also considered, including in estate management, business support, reception and careers support services. Opportunities for the utilisation of existing College Hub staffing at the Town Centre Spoke through digital technologies are considered.

### Delivery Programme

6.5 A detailed delivery plan for the College Hub is provided in Appendix A as part of the RIBA 2 design work. A summary of the project milestones for the two elements of the project are provided below:

### Project Milestones

6.6 As part of the RIBA 2 design work which has already been completed the project's overall delivery timescale is intended to run to September 2023 whereupon Phase 2 of the College Hub becomes fully operational. A summary of high level project milestones for both elements of the project is provided in the table below.

Milestone	Timeline
<b>College Hub</b>	
College Hub Phase 1 – initial design development complete (RIBA Stage 2)	Complete
College Hub Phase 1 - initial / enabling works	Jun – Sept 2021
College Hub Phase 1 – design development complete (RIBA Stage 4)	Dec 2021
College Hub Phase 1 – main contractor appointed	Mar 2022
College Hub Phase 2 - initial design development complete (RIBA Stage 2)	Mar 2022
College Hub Phase 1 - capital works	May – Aug 2022
College Hub Phase 1 – fully operational	Sep 2022
College Hub Phase 2 – design development complete (RIBA Stage 4)	Oct 2022
College Hub Phase 2 – main contractor appointed	Mar 2023
College Hub Phase 2 – capital works	May – Aug 2023
College Hub Phase 2 – fully operational	Sep 2023
<b>Town Centre Spoke</b>	
Venue confirmed in principle	July 2022
Lease / commercial arrangements finalised	Oct 2022
Take occupancy of venue	Nov 2022
Configuration and fit out works	Nov 2022 – Feb 2023
Spoke Facility fully operational	Mar 2023

## Project Dependencies

6.7 Since planning permissions and contractor procurement has already been secured for the first phase of College Hub works the key project dependencies (aside from Towns Fund approval) relate to the second phase of College Hub works and the Town Centre Spoke element. The applicant lists the following dependencies:

- The Development of RIBA 4 design for Phase 2 of the College Hub;
- Planning approval and building control sign-off for College Hub;
- Conclusion of lease agreement for the ACE centre (Town Centre Spoke); and
- Planning approval for the Town Centre Spoke.

6.8 The appraiser adds a further dependency in relation to the procurement of a contractor for the Town Centre Spoke element, although these are likely to represent fit-out costs rather than significant construction work.

## Risk Management

6.9 A risk register is included in the business case submission which identifies appropriate risk mitigation strategies, the risk owner and risk status.

6.10 The applicant has identified a leading risk – the risk of cost overruns attributable to the two separate phases of the College Hub element and to the Town Centre Spoke element.

6.11 In relation to the College Hub phase 1, through the form of contract employed this allocates the risk to the main contractor. The applicant indicates that a similar form of contract is likely to be sought for subsequent phases which will assist in mitigating the risk of cost overruns. Further risk management arrangements are confirmed in relation to value engineering achieved through the tender process reflecting feedback from the phase 1 tender process.

6.12 The risk of cost overrun in relation to the Town Centre Spoke element can be managed through value engineering in terms of the cost of equipment and fit out which can be procured at a variety of specifications.

## **Monitoring and Evaluation**

6.13 A benefits realisation plan has been developed to set out the expected benefits of the Project and the way in which these benefits will be planned for, tracked by the responsible owner, and realised through scheme implementation. The Monitoring & Evaluation Plan describes the data that will be collected to check progress in delivering the scheme's benefits, and how it will be assessed to show that the projects have fully delivered the anticipated benefits.

## 7 Conclusions and Recommendations

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### Conclusions

#### Strategic Case

**The case set out is suitable for investment.**

7.1 The strategic case presents a strong basis for investment. The project is aligned with local policy objectives and supports objectives outlined in the Nelson Town Investment Plan. The business case demonstrates an under provision of digital skills and facilities in Nelson and evidence of stakeholder support for the proposals. The business case clearly sets out the outcomes that can be achieved for young people and the local community.

#### Economic Case

**The case set out is suitable for investment.**

7.2 Appropriate benefits were identified to reflect the nature of activities proposed and the purpose of interventions. The assessment identified Option 5 as the preferred option with a BCR of 2.9. Sensitivity testing shows that the project would continue to offer a positive return on investment under a worst-case scenario.

#### Financial Case

**The case is suitable for investment subject to specific conditions being met.**

7.3 Towns Fund monies of £2.290 million has been requested towards a project cost of £3.252 million across the College Hub and Town Centre Spoke elements. The balance of funding is due be met by match funding from the Nelson and Colne College Group (£0.482 million) and the Department for Education (£0.480 million). Without Town Deal support Phase 1 of the College Hub element will be self-sustaining and additional private sector (NCCG) costs can managed without immediate effects on projects outputs linked to this project element.

7.4 There is greater certainty over costs for the College Hub element which constitutes the majority (89%) of the total preferred option cost with tender prices secured for the Phase 1 works. Nelson and Colne College Group's commitment to draw down additional funds from its Strategic Investment Fund in the event of cost overruns helps to mitigate inflationary risk attached to the second phase of the College Hub element and for the Town Centre Spoke element. Notwithstanding, inflationary pressures and potential cost overruns should be closely monitored by Pendle Borough Council and the Town Board, so that mitigations and the potential impact of any change in project scale or scope can be identified at the earliest opportunity. A clear process should be agreed for determining suitable mitigations, where they have the potential to impact on the scale or range of uses that can be delivered.

#### Commercial Case

**The case is suitable for investment subject to specific conditions being met.**

7.5 Planning permission for the first phase of College Hub works has been secured. For the second phase of works planning permission remains to be secured but is considered to represent low planning risk. Clear milestones should be set out in order for any delivery risks to be identified at the earliest opportunity.

7.6 Clear procurement arrangements are set out for the College Hub element with main contractor tender prices having already been secured for the first phase of works. A timeline for the procurement of the second phase of works is in place.

7.7 The scheme responds to demand from local employers requiring a more digitally skilled workforce. The expected growth in demand across 16-19 and adult learner cohorts as a result of project outputs is clearly demonstrated.

7.8 Subsidy control advice has been sought by the applicant but not yet received.

## Management Case

### **The case set out is suitable for investment.**

7.9 Clear project management arrangements – including named organisations and team members – have been identified to deliver the project with the project forecast to be delivered by March 2023. Monitoring and evaluation proposals are in place.

7.10 An appropriate risk assessment has been prepared to allow key project risks to remain under review. Scheme dependencies are identified, including the securing of planning permission and building regulations approval for the second phase of College Hub works and the securing of a lease agreement at the ACE building to ensure the progress of the Town Centre Spoke element.

## Recommendation

The Advanced Digital Skills Academy project is recommended for approval for a Town Deal allocation of £2.29m, subject to the following conditions:

- The implications of cost inflation and cost overruns should be carefully monitored over the coming months so that suitable mitigations can be identified at the earliest opportunity;
- A clear process should be agreed for determining suitable mitigations, where they have the potential to impact on the scale or range of uses that can be delivered;
- Clear milestones for the securing of relevant planning permissions for College Hub Phase 2 and Town Centre Spoke works should be set out in order for any delivery risks to be identified at the earliest opportunity; and
- The receipt of independent subsidy control advice.