



HATCH
REGENERIS

Business and Skills Capital Projects
Independent Assessors Report

A Final Report by Hatch Regeneris
February 2019

Buckinghamshire Thames Valley LEP

Business and Skills Capital Projects Independent Assessors Report

February 2019

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Contents Page

Executive Summary	i
1.	1
Introduction	1
Methodology	1
Report Structure	1
2.	3
Buckinghamshire Life Sciences Innovation Centre	3
Overview	3
Key Input Assumptions and Parameters	3
Strategic Case	4
Economic Case	5
Economic Case – Addendum	6
Commercial Case	6
Commercial Case – Addendum	7
Financial Case	7
Financial Case – Addendum	8
Management Case	9
Management Case – Addendum	10
Conclusion	10
3.	12
Medical Education Centre for Surgical Skills	12
Overview	12
Key Input Assumptions and Parameters	12
Strategic Case	13
Strategic Case – Addendum	14
Economic Case	14
Economic Case – Addendum	15
Commercial Case	15
Commercial Case – Addendum	16
Financial Case	17
Financial Case – Addendum	18
Management Case	19
Management Case – Addendum	20

Conclusions	20
<hr/>	
4.	Buckinghamshire Creates @Pinewood 22
	Overview 22
	Key Input Assumptions and Parameters 22
	Strategic Case 23
	Economic Case 24
	Economic Case – Addendum 25
	Commercial Case 26
	Commercial Case – Addendum 27
	Financial Case 27
	Financial Case – Addendum 28
	Management Case 29
	Management Case – Addendum 30
	Conclusion 30
<hr/>	
5.	School of Computing and Centre for AI 31
	Overview 31
	Key Input Assumptions and Parameters 31
	Strategic Case 32
	Strategic Case – Addendum 33
	Economic Case 33
	Economic Case – Addendum 34
	Commercial Case 35
	Commercial Case – Addendum 35
	Financial Case 36
	Financial Case – Addendum 36
	Management Case 37
	Management Case – Addendum 38
	Conclusions 38
<hr/>	
6.	The National Centre for Immersive Storytelling 40
	Overview 40
	Key Input Assumptions and Parameters 40
	Strategic Case 40
	Strategic Case – Addendum 41

Economic Case	42
Economic Case – Addendum	42
Commercial Case	43
Financial Case	43
Financial Case – Addendum	44
Management Case	44
Management Case – Addendum	44
Conclusions	45
<hr/>	
7. Summary and Conclusions	46
Summary	46
Conclusions	47
<hr/>	
Appendix A - Assessment Framework	
<hr/>	
Appendix B - Summary Assessment Matrix	
<hr/>	
Appendix C - Outputs Summary	

Executive Summary

- 0.1 Hatch Regeneris was commissioned by Buckinghamshire Thames Valley (BTV) LEP to conduct a three-stage appraisal assessment of schemes looking for funding related to business and skills development. **This Independent Assessor's Report concludes Stage 3** of the commission.
- 0.2 In total, five Full Business Cases were assessed. To guide the appraisal process, an Assessment Framework (see Appendix A), framed around the LEPs strategic priorities and **HM Treasury's Green Book** and Business Case Guidance was prepared. Ultimately, this will assess and rank submissions according to their strategic alignment, economic contribution and deliverability, with reference to **the Green Book's Five Case Model**.
- 0.3 The rankings of the five Business Case submissions are presented in the Summary Assessment Matrix in Appendix B and their respective outputs and outcomes in the Outputs Summary table in Appendix C.
- 0.4 It should be noted, the comparative assessment of value for money from each individual assessment was challenging as no submission submitted a standard Green Book economic case. However, based on the information presented, and the **Assessor's judgement and experience**, each scheme is considered likely to offer good value for money from investment.
- 0.5 An overall summary of the assessment of each scheme against the appraisal criteria is presented below.

Bucks New University, Buckinghamshire Life Sciences Innovation Centre (BLIC)

- 0.6 Though a Full Business Case report was not submitted, our independent appraisal considers the information provided is, generally, proportionate to the funding ask. Strategically, the Innovation Centre offers strong alignment locally, regionally and nationally, and could, potentially, generate wider economic benefits.
- 0.7 A detailed Economic Case was not submitted; however, our independent assessment considers the potential economies of scales offered by the project, and the subsequent low funding ask, is likely to deliver a reasonably high Benefit Cost Ratio.
- 0.8 A core weakness of the application is its Financial Case. The *funding ask, costed items, and match funding lack robustness* and continues to require clarification, including the long-term financial and commercial viability.
- 0.9 **The bid's Commercial and Management Cases are considered to lack detail.** The inference is that the scheme is an extension to the larger Innovation Centre project and can make use of existing commercial and project management systems that are already in place. The practical evidence to support this approach is limited.

London Medical Education Academy (LMEA), Medical Education Centre for Surgical Skills

- 0.10 This bid provides a strong Strategic and Commercial Case based around the need and demand for the development of a lab and cadaver storage space for surgical skills training. The project shows good policy alignment, though the submission could benefit from reference to regional and national policy.
- 0.11 While a detailed Economic Case has not been provided, our independent assessment of the benefits presented demonstrates that the scheme has the potential to make a significant

economic contribution through improved practitioner training and patient outcomes, avoided litigation costs, as well as direct job creation.

- 0.12 The business case has well considered Financial and Management Cases. While there is *limited information relating to the mitigation of cost overruns*, the evidence relating to demand and income sources indicates strong revenue streams, and so risks are considered relatively low.
- 0.13 Some risk also remains around timely and cost-efficient procurement of land and property for this project. Market evidence to confirm that this risk is low would be beneficial.

Bucks New University – Buckinghamshire Creates @Pinewood

- 0.14 The Applicant has presented a well-rounded Full Business Case submission. The Strategic Case shows good alignment to both local, LEP, and national policy. The case for change is considered convincing and good evidence of demand for the scheme has been demonstrated, though more information on the latter would still improve the case.
- 0.15 Though a full Green Book standard Economic Case was not submitted, our independent assessment considers the economic impact of the project to be large and likely to represent good value for money from investment.
- 0.16 The Financial Case includes a detailed finance model that suggests strong self-sustainability and potential clawback of funding. However, it is strongly recommended further clarifications are sought around the robustness of cost items, the grounds for inclusion of certain items within costings, and the overall level of the funding ask. There is reason to conclude that the overall leverage of the project, in terms of new private sector investment, is relatively low, and that *the LGF funding ask could be reduced*.
- 0.17 The Commercial and Management cases broadly demonstrate the necessary detail to provide sufficient confidence the project would be delivered in a timely, cost effective, and efficient manner.

University of Buckingham – School of Computing and Centre for AI

- 0.18 **This bid proposes to transform the University of Buckingham's approach to artificial intelligence, digital and analytical skills and immersive technologies with the creation of new centres for training and applied research within the School of Computing.**
- 0.19 The project shows strong policy alignment, particularly in relation to LEP priorities, but there were some limitations in the way the submission presents i) a *clear need and rationale for public intervention*, and ii) a detailed description of what is being proposed, in terms of the physical facility and the activities within it.
- 0.20 While a well-considered Management Case has been established, and the potential economic impacts could be reasonably high, the business case submission would have benefited from the establishment of a clear logic chain from the case for public intervention to the ways in which the proposed project will operate and respond to market issues.

National Film and Television School (NFTS) – The National Centre for Immersive Storytelling

- 0.21 The bid was for a relatively modest funding ask and was considered to offer a potentially strong Strategic Case. It offers particularly strong alignment to LEP priorities but the evidence around the 'case for change' and 'evidence of need' could be significantly improved.

- 0.22 A key issue is the *identification of suitable Reference Case* against which to assess the Strategic and Economic Cases. Specifically, the Applicant was requested to isolate the impact of the LGF investment from the existing Centre activities and so enable an understanding of the specific value that the LGF investment could add over-and-above the existing “do-nothing” scenario.
- 0.23 The direct case for investment in a new sound system and IT equipment was not well set out in the submission, rather the business case focused upon the overall benefits for the Centre without disassociating and isolating the contributions and impacts of the sound system and equipment. It is, therefore, challenging to determine the specific impact that the investment will achieve in terms of additionality e.g. the increased number of students to the Centre, and the additional income generated.
- 0.24 A strength of the application are the financial and management cases with sufficient information presented to confirm the deliverability of the project within the required timeframes of the LGF3 funding.
- 0.25 Overall, this is likely to be a good scheme to invest in, and is deliverable, but it is challenging to quantify the absolute benefits and, hence, to determine the value for money from investment.

1. Introduction

- 1.1 Hatch Regeneris was commissioned by Buckinghamshire Thames Valley (BTV) LEP to conduct a two-stage appraisal assessment of schemes looking for funding related to business and skills development.
- Stage 1 – initial sift of the five expressions of interests (EoIs) received and preparation of a short paper to the LEP with a summary of each bid and a recommended shortlist.
 - Stage 2 – full evaluation of submissions and recommendations to go to the BTVLEP board.
 - Stage 3 – additional clarifications from Applicants and completion of final report
- 1.2 Stage 1 of the assessment was conducted and completed in mid-November 2019. The conclusions of those reports were fed back to Applicants to assist in drafting their Full Business Case. All five submissions were received by the 21st December 2018 deadline. Following an initial review of the Full Business Cases, a set of clarification questions were issued to each applicant. **This Independent Assessor's Report** concludes Stage 3 of the commission.

Methodology

- 1.3 To guide the appraisal process, an Assessment Framework (see Appendix A) framed around the LEPs strategic priorities and **HM Treasury's** Green Book and Business Case Guidance was prepared. Ultimately, this will assess and rank submissions according to their strategic alignment, economic contribution and deliverability **using the Green Book's Five Case Model**:
- **Strategic Case** – assesses the applicability of the submission in terms of their case for change and strategic fit locally, regionally and nationally
 - **Economic Case** – quantifies the benefits and costs of submissions in determining whether they represent value for money
 - **Commercial Case** – gauges the attractiveness of submissions in a supply side and feasibility context
 - **Financial Case** – verifies the affordability and financial stability of projects
 - **Management Case** – ensures the management and governance are in place to deliver the proposed project successfully.
- 1.4 As part of the Assessment Framework, Hatch Regeneris consulted **with BTVLEP's** Local Industrial Strategy team **attain a deeper understanding of each submission's** uniqueness and strategic importance to the LEP.
- 1.5 To enable a more well-rounded and informed assessment of each application, a set of clarification questions from the Full Business Case review have been sent to each applicant. This will offer applicants the opportunity to strength and address any weaknesses identified.

Report Structure

- 1.6 The following sections of this report appraises each of the submission (Chapters 2 - 6) using the Five Case Model, scorings and rankings are then reflected in the Assessment Framework (see Appendix B) and outcomes and outputs in the Outputs Summary Matrix (see Appendix C).

- 1.7 At the end of each Full Business Case section, a summary of the assessment concluding the **case's strength and weakness, and list of** areas for improvement in developing a more completed case, are included.
- 1.8 In Chapter 7, the report concludes by summarising each **submission's funding ask before** presenting a final list of recommendations for funding.
- 1.9 The following five Full Business Cases were received and are assessed in the following order:
- Chapter 2 - Bucks New University (BNU), Buckinghamshire Life Sciences Innovation Centre (BLIC)
 - Chapter 3 - London Medical Education Academy (LMEA), Medical Education Centre for Surgical Skills
 - Chapter 4- Bucks New University – Buckinghamshire Creates @Pinewood
 - Chapter 5 - University of Buckingham – School of Computing and Centre for AI
 - Chapter 6 - National Film and Television School (NFTS) – The National Centre for Immersive Storytelling

2. Buckinghamshire Life Sciences Innovation Centre

Overview

Funding Request	Leverage
£275,000	16.5%*

*Leverage proportion may change following further clarifications with the Applicant

- 2.1 In early November, Bucks New University submitted an Expression of Interest (EoI) application for an extension of their Buckinghamshire Life Sciences Innovation Centre. As part of Stage 2 of the application process, the applicant did not submit a formal Full Business Case but instead issued an addendum responding to areas for improvement Hatch Regeneris had.
- 2.2 **The Assessor's report appraises the EoI Application** and Addendum and treats this as a single Full Business Case.
- 2.3 **Bucks New University are requesting £275,000 (or 50.27%) from BTVLEP's Lot 1: Incubation Funding. The funding will be used to extend and refurbish the second floor of the University's South Wing (High Wycombe campus), which is currently dead space. This will provide additional space for innovators and SMEs and improve the hub's occupancy economies of scale.**
- 2.4 **Working alongside delivery partner's, the Centre's vision is to foster a culture of innovation** within Buckinghamshire for health and social care technologies, supported by infrastructure and support services, to facilitate the development of high growth SMEs.
- 2.5 As such, the objective is to put in place the support elements necessary to develop an innovation ecosystem, where advances are created, grown and matured, ultimately, fed back into the greater economy.
- 2.1 A benefit cost ratio (BCR), based on forecasted revenue (as opposed to economic benefits) of 2.3 and net present value (NPV) of £370,110 was estimated.

Key Input Assumptions and Parameters

- 2.2 In deriving the forecasted cashflows, the applicant uses a series of assumptions and parameters:
- Identified costs are based on capitalising on the economies of scale from building work which is currently being undertake
 - Income:
 - For projected income in the first half year of operation, the following assumptions were made:
 - 6-months
 - 70% occupancy
 - Average rental income per desk is £150 per month
 - For the first full year of operation, the following assumptions were made:
 - 80% occupancy of the 26 desks (21 desks)

- Average rental income per desk is £155 per month (inflation adjusted from the previous year)
- Subsequent years included the following assumptions:
 - 90% occupancy
 - Rental income per desk to increase each year by roughly 3% due to inflation
- Cost of Sales:
 - The cost of sales was calculated using their internal estates calculation. The cost to maintain offices space including cleaning, heating/cooling, electricity, security, etc as £95/square metres x 167 square metres plus a fixed cost of £3,000 per annum for a hub management company to manage this extra portion of BLIC.
 - The cost of sales is assumed to increase by 3% each year due to inflation
- Net Present Value:
 - For the proposed project, the NPV was calculated assuming a discount rate of 3.5%, the calculation ran for 13 years

Independent Assessor Comments

- 2.3 Without analysing the calculations in detail, it is hard to determine the accuracy or robustness of the forecasted cashflows. For instance, when accounting for inflation whether this was compounded for progressively future cashflows.
- 2.4 **The 3% inflation rate used is considered potentially high. Typically, the Exchequer's target of 2%** is considered sufficient. Proportionately this does not change the results, however, it would bring down the NPV, but not significantly.
- 2.5 No evidence or explanation was provided to justify the occupancy rates used. However, the assumptions used are not considered unrealistic. The cost of sales forecast are considered robust given **Bucks New University's experience in property management.**

Strategic Case

- 2.6 In presenting the rationale for public funding, the applicant places into context the importance and size of the Life Sciences sector in the LEP, and more widely, its strategic location between Oxford, Cambridge and London.
- 2.7 The addendum further evidences a lack of supply in similar hub provision across the region, specifically those within close proximity to patients and healthcare delivery. Currently active hubs, in Wales and London, are said to be turning away prospective clients.
- 2.8 Supporting reports evidences both excess and unmet demand for R&D space within Oxfordshire LEP, the South East and London. BLIC plans to take advantage of the overspill occurring in surrounding areas and offers sought after access to patients and healthcare delivery.
- 2.9 A logic chain model presenting the case for intervention from project context to outcomes is included in the addendum.
- 2.10 The scheme is considered to align with BTVLEP priorities and objectives as it hopes to stimulate growth in high growth firms (HGF) and employment, prevent brain drain, and address **the LEP's weak export performance. Furthermore, BLIC's sector and innovation focus aligns with**

BTVLEP's aims to develop the Life Sciences sector, as mentioned in the draft Local Industrial Strategy,

- 2.11 There is further alignment with national and regional policy, as the BLIC hopes its support will **lead to the commercialisation of medtech that will help facilitate the Government's and NHS' stance to tackle illnesses through prevention rather than treatment.**
- 2.12 There are no stated project interdependencies, as the main Innovation Centre will continued to be developed irrespective of the outcome of the application.

Independent Assessor Comments

- 2.13 Overall, the scheme's **strategic case is** well considered and shows good alignment with local, regional and national agenda.
- 2.14 **The BTVLEP's LIS team agree there is** good fit with LEP priorities around tackling the ageing society grand challenge and having innovation and R&D at its core.
- 2.15 **The strategic case could be further improved through a more in depth narrative on the LEP's other priorities, which are mentioned but not described in detail.** There is also limited information on the schemes application to the regional and wider policy, even though there is a clear alignment, i.e. with the industrial strategy and respective sector deals.
- 2.16 The logic model presented appears to have been the one used to secure funding for the centre itself, but is still relevant in some areas. Though market failures are not explicated stated, the Assessor acknowledges these may be around information failures, whereby firms are unaware and/or are undervaluing the value of business support, and/or positive externalities not being accounted for.
- 2.17 In the addendum, the applicant highlights a lack of current supply of medtech innovation hubs whilst at the same time lists upcoming development of nearby centres providing similar services. The aim is to form a network with these other hubs and those outside the region. However, there is no discussion as to how upcoming centres will affect client demand.

Consideration of the LEP's other priorities and how the project will contribute to those objectives and the demand impact of upcoming Centres would improve the Strategic Case.

Economic Case

- 2.18 Directly, the Centre as a whole, will support 50 businesses per annum, and over a ten-year term this will equate to 150 supported business (accounting for businesses getting larger and requiring more space). The funding will be used to renovate the remaining 167 sqm of unused space in the building. This will allow the centre to incorporate an additional 26 more desks, and 26 more business per annum, for SMEs to use. A detailed analysis of how many businesses will be supported by the 26 more desks over a ten-year period was not included.
- 2.19 On wider economic impacts, the applicant mentions the Centre will contribute to other economic measures in terms of business starts, jobs and GVA, higher innovation levels, and address LEP specific weaknesses in export and local talent leaving. There may also be fiscal savings from health deliverers using commercialised innovations of the Centre.
- 2.20 There is further mention of wider social benefits resulting from medtech innovations in improved mortality rates and other health benefits.

Independent Assessor Comments

- 2.21 The applicant did not submit a Green Book standard Economic Case. The submission was missing an **options' analysis**, respective economic impact and value for money assessment. Overall, this was a weakness of the application, but the Assessor recognises that there is underlying potential.
- 2.22 Without further information it is difficult to fully, and accurately, judge the economic case. However, the Assessor believes the project will likely have a strong economic impact relative to its cost and, as such, a high BCR.
- 2.23 The economic case would also have benefited from a more detailed analysis of wider economic benefits.

A Green Book Standard economic case, from options analysis to sensitivity testing, is required to fully assess the economic case for the scheme.

Economic Case – Addendum

- 2.24 It is estimated over a 10-year time horizon the extension alone will support 50 additional business and 25 new jobs.

Independent Assessor Comments

- 2.25 In arriving to predicted jobs and additional business, an average occupancy rate of 80% over 10-years has been used, this is considered high but not out of the realms of possibility. Furthermore, this is not in line with the assumptions **used previously, as set out in the “Key Input Assumptions and Parameters” section.**

Commercial Case

- 2.26 As part of the case for change, the applicant evidenced a lack of supply and unmet demand in the areas surrounding BTVLEP.

Independent Assessor Comments

- 2.27 Overall the commercial case presented is both plausible and considered deliverable, based on its ask and requirements. The fee earning nature of the extension makes the project commercially viable.
- 2.28 Evidence of meeting excess demand was not specific to BTVLEP. It is unknown whether businesses will travel from nearby regions, where there is excess demand, or relocate to BTVLEP **to access the Centre's services.**
- 2.29 Much of the materials and services required to deliver the scheme have already been procured as part of the construction of the main Centre. Extension of contracts and existing procurement options will allow for the Centre to secure economies of scale.
- 2.30 The procurement strategy and proposed contracts were not included in the application or addendum. Though it is unlikely this will prove too detrimental due to the nature of the scheme, an extension to the currently being built larger Centre, for approval more information on both will be needed.

- 2.31 There is no information on risk ownership and rationale to allocation of risk.

The commercial case is limited in scope, although there is a strong basis to build on and would benefit from providing more information on the commercial viability, procurement and contract strategy, and outlining risk management governance in place to deliver the extension.

Commercial Case – Addendum

- 2.32 **Procurement strategy will follow the University's strict procurement guidelines and be enacted** by a dedicated Procurement Team.

Independent Assessor Comments

- 2.33 A detailed procurement strategy was presented and provides sufficient evidence, procurement practices will ensure cost effective delivery.
- 2.34 Concerns around contract management practices remain unaddressed but is unlikely to be of high risk as this project is an extension of a larger Centre.

Financial Case

- 2.35 The total cost of the project is stated to be £547,000, of which 50.27% (or £275,000) is being requested from BTVLEP. A further £110,000 is to be match funding by the University of which £85,000 is from the provision of university space. The funding source for the remaining £162,000 was not identified but stated as secured. There is an identified contingency fund of £14,000 (3% of project). **The applicant states “there are no other funding sources at the moment”.** If approved, LEP funding will be spent in 2018-19.
- 2.36 A table of forecasted revenue and cost streams for the period 2016-17 to 2030-31 are presented, totalling £647,275.20 and £277,165.14 respectively. The project is expected to break even within its first year. An NPV of £370,110 was estimated.
- 2.37 A sustainability plan involving the integration of a once ERDF supported innovation hub into the Centre is mentioned. Profits from the Centre will help run the free services hub, however there will be efficiency gains from merging the two. Before the hub and centre merge, each will signpost clientele to the other where appropriate.

Independent Assessor Comments

- 2.38 In all, the financial case is well stated but requires clarifications which would help bring greater confidence to the case.
- 2.39 The funding and costings of the project are not entirely clear. **Of BNU's match funding, £85,000** will be from the space the university will be provided. If the university already owns the space this should not be considered as a financial cost. Though the funding ask is not large this will affect the leverage negatively. Furthermore, it is stated all funding has been secured but there is no information on the remaining £162,000. More information on both unidentified funding and planned expenditure would help improve the case.
- 2.40 Forecasted income and cost streams are not considered to be out of the ordinary. However, it is unclear whether the forecasted cost of sales accounts for the merge between the Hub and

Centre. This is of concern given the former is a free service which the latter will support. Furthermore, the financial case would further benefit from justifying its occupancy assumptions.

- 2.41 **From the Assessor's experience, the identified contingency fund is relatively small and there is no explanation as to how this figure was derived.** However, the total sums being considered are not considered to be large and/or of high risk.
- 2.42 The applicant has considered and stated that their application is state aid compliant and eligible for funding.

The financial case would benefit from providing greater clarity on match funding and cost items, justifying assumptions used in forecasts, whether forecasts have accounted for the merge of the Hub and its impact on the balance sheet.

Financial Case – Addendum

- 2.43 The extension of the Centre is entirely dependent on LEP funding. Without which, the university will refurbish the space for teaching purposes. The applicant has confirmed “match funding is secured”.
- 2.44 In the addendum it is stated the total cost for the combined works for the BLIC phase 1 and extension to be £937,000. £542,000 of this is currently funded by existing LEP funding, leaving a shortfall of £395,000. The extension represents 23% of total BLIC square footage.
- 2.45 Forecasted income and expenditure streams do not account for the integration of the ERDF Innovation Hub. Though undecided, once ERDF funding ceases and the Hub is integrated with the Centre, either the costs for these services will be absorbed into the rent of the Centre or be absorbed by delivery partners. Conversations continue to discuss the sustainability of the model and all partners have committed to continue their involved post ERDF funding.
- 2.46 The applicant is confident assumptions around occupancy will be achieved because
- 1) Tendering for a hub management company with a proven track record
 - 2) Centre is offering something unique, a health and social care innovation ecosystem developed together with a wide and expert partnership

Independent Assessor Comments

- 2.47 Clarifications should be sought on potential discrepancies between the addendum and the initial EoI, from which the funding ask is stated and remains unchanged:
- 1) The total cost breakdown of the extension from the larger Centre remains unclear. In the EoI the total cost of the extension is stated to be £547,000, or 58% of the total cost of BLIC phase 1 and the extension. A large share, when the extension is to account for 23% of total square footage, as stated in the addendum.
 - 2) **Much of the match funding and respective expenditure, appear to be in “in-kind” contributions.** Though considered a cost, it should be removed from leverage calculations. There are other cost items which require further questioning but taking a conservative view, and at face value, should be excluded from the financial case:
 - “BNU match funding (freehold property) – £85,000 (In-kind)

- “Discounted meeting rooms, gym, facilities” - £22,000 (to be excluded)
- “Parking (limited spaces)” - £20,000 (to be excluded)
- “Studio, workshop, sports & simulation facilities” - £90,000 (in-kind)

There is a further £30,000 of match funded specified for “IT, Telephony, Photocopiers, Overhead Projectors”. It is unclear whether the equipment has already been purchased or will be for the purposes of the extension.

- 3) Considering the above point, this raises into question the value for money and leverage of the project.

Including the ‘in-kind’ benefits only, the total cost of the project could fall to £505,000. Within this total, there are questions around “IT, Telephony, Photocopiers, Overhead Projectors” (£30,000) and “Contingency for expansion of innovation centre” (£14,000) which could see total cost fall to £461,000. There was no discussion on the outcome of the contingency fund once the project concludes.

On leverage, given much of the match funding is in-kind, leverage could effectively be **made up of BNU’s match** funding of £55,000 (this assumes equipment is yet to be purchased) against a total investment of £330,000.

- 2.48 There are further questions on the sustainability of the project as Full Business Case does not consider the impact of integrating a free to SMEs Innovation Hub on its balance sheet. However, if the BLIC is successful, there may be potential for funding clawback.
- 2.49 Furthermore, concerns raised on assumptions used to forecast revenue and cost stream remains unaddressed. Though not considered out of ordinary there is no explanation as to how the Applicant has derived their assumptions.

Management Case

- 2.50 A list of deliverable and realistic key milestones for delivery and project team appointments was provided.
- 2.51 A total of nine risks and mitigating actions were considered.

Independent Assessor Comments

- 2.52 **The list of key milestones could be extended to map out the Centre’s plan post first recruits into the Centre.** There is no information explaining why the project team appointed is best positioned and incentivised to deliver the Centre and extension.
- 2.53 The applicant has provided little to no information on the delivery process, particularly around government and management, previous experience, contract management, project management, delivery team, contingency plan, benefits realisation plan, and monitoring and evaluation plan.
- 2.54 The risk register provided is comprehensive but is not of Green Book standard as it does not include a measure for the likelihood or impact size for each identified risk. Though not critical, there are areas for improvement, including proposed mitigating actions and considering wider risks that may arise. Furthermore, risks have not been allocated to owners.

The applicant has not submitted a full management case and is missing several elements. A re-submission providing greater confidence that the management and governance are in place to deliver the project would be beneficial. Note: as an extension of the larger Centre, the risk is not as high.

Management Case – Addendum

- 2.55 This project is being managed by **Bucks New University’s Director of Estates, Ian Hunter**. He, alongside the University, possess extensive experiences in overseeing large scale construction and renovation project. In total four examples of experience were provided showcasing relevance and those involving other grant funded schemes.
- 2.56 The applicant has confirmed resources and capacity are available to deliver the project and that spend will be completed by the end of 2019.

Independent Assessor Comments

- 2.57 The provision of previous project experience provides additional reassurance the management structures are in place to deliver the project. As an extension to the larger Centre, currently under construction, the deliverability of the investment has the potential to be robust, but further evidence should be sought.

Conclusion

Conclusion

- 2.58 **In conclusion, the scheme’s Full Business Case, composed of its application form and addendum, lacks detail and robustness.** This lack of detail and exclusion of Green Book standard sections means the case is heavily reliant on the ask being an extension of for the previous larger, ERDF approved Innovation Centre.
- 2.59 The BLIC business case builds on strong foundations, the strategic case is well aligned but could focus more on other and wider local LEP agendas. In our opinion, the project will likely generate significant value of money, but greater thought could have been place of the wider economic benefits.
- 2.60 The commercial and management case of the project are not detailed and rely heavily on the investment being an extension of the already procured (and currently being constructed) larger centre. A core weakness of the application is its Financial Case. The funding ask, costed items, and match funding lacks robustness and requires clarification. This in turn affects the judgement of value for money from LGF investment, as well as leverage ratios.

Areas for Improvement

- 2.61 Prior to any consideration of funding, the Assessor recommends that BTVLEP seek additional information from the Applicant in the following areas:
- Provide a more detailed and robust cost plan, funding ask and match funding break down
 - Provide more information on contract management procedures in place to ensure cost effect delivery.

- Explain the rationale and justification used in choosing the assumptions used for forecasting cashflows

2.62 Although not critical to the overall assessment, the Assessor also recommends that the case for funding would be strengthened with the following:

- Complete a review of the wider literature to understand the strategic fit of the scheme regionally and nationally.
- **Assess local demand for the Centre's service** or gauge the willingness to travel, relocate or pay for innovative medtech SMEs in the nearby region.
- Consider how upcoming developments offering similar services in BTVLEP will impact **demand for the Centre's services**.
- Re-submission of the economic case following Green Book principals.
- Further develop the Management and Commercial Cases. In areas where there are **shared cases/arguments with the Centre's successful bid, evidence** should be provided.

3. Medical Education Centre for Surgical Skills

Overview

Funding Request	Other Match Funding
£2,175,000	50%

- 3.1 The submission from the London Medical Education Academy (LMEA) sets out the case for investment for a combined lab and storage facility for state-of-the-art surgical training, providing simulation and fresh frozen cadaveric tissue training in Buckinghamshire.
- 3.2 LMEA seeks to better utilise donated human cadavers to improve access and affordability of cadaveric training for healthcare professionals.
- 3.3 The project has been costed at a total £4.35 million, with a £2.175 million (50%) funding ask from BTVLEP. An NPV has been provided but inputs around this estimate have not been provided.
- 3.4 While there is insufficient information provided in the Business Case to calculate a reliable and evidenced BCR, the proposed project has been assessed a potential significant economic contributor and high value for money proposition.

Key Input Assumptions and Parameters

- 3.5 In deriving the forecasted cashflows, the applicant uses a series of assumptions and parameters.

Economic appraisal

- Benefits:
 - 54-56 additional jobs with 5 years of opening
- Costs:
 - Equipment and freezers (£1.9m), building costs and land (£2m), legal fees (£50k), HTA licence (£50k), staff and training (£350k).
- 3.5% discount rate and 10-year timeframe

Financial appraisal

- Income:
 - For income relating to laboratory rental, storage facility cadaver sales and internal courses (post project completion at 2020/21):
 - 1 course per week with 20 participants at 2020/21, ramping up to 4 classes per week with 60 participants per class by 2023/24, with higher class sizes expected thereafter.
 - Sale of 234 part cadavers to universities and hospitals at an average price of £2,300 per cadaver at 2022/2023. Doubling of cadaver sales in 2023/24.
 - External courses expected to run until 2020/21, with associated sales income.
- Cost of sales:
 - Various including promotion, wages, professional fees, rates and bank fees.

Independent Assessor Comments

- 3.6 Economic inputs have been provided but this has not been converted into a BCR. The project shows potential for good economic contribution, however.
- 3.7 The financial appraisal is well-considered, though would benefit from the inclusion of capital costs.

Strategic Case

- 3.8 The submission builds a strong case for intervention around the following key points:
- There is increasing need for healthcare training, as evidenced by the rising number of healthcare professionals, the high cost of negligence-related lawsuits, live patients being used for training, and research to show that better hands-on training would be beneficial.
 - There is strong demand for increased storage, as evidenced with queries posed to LMEA from higher education institutions and a high number of donors being refused at repositories each year, with implications for donor families.
- 3.9 It cites further benefits around science education, medical innovation, and entrepreneurship.
- 3.10 While the applicant does not directly identify market failures, the case for intervention would likely be based on a positive externality market failure argument. It is likely that information failures are also a factor. The applicant argues that private funding is difficult to secure for this project given the emotionally charged context surrounding the use of human cadavers for surgical training, and the ignorance surrounding its capacity to save and improve lives.
- 3.11 The applicant identifies project dependencies later in the Management Case. These include obtaining a HTA licence, and having access to a suitable labour pool.

Independent Assessor Comments

- 3.12 The applicant provides a strong case and clear rationale for intervention. **BTVLEP's LIS team** consider the project to be of strong strategic importance nationally, whereas only the innovation and R&D component of the project is contributory to LEP goals. The project aims to better facilitate testing for MedTech and Advanced AI.
- 3.13 While the project does not provide any reference to sub-regional policy, it has been deemed to have good fit with the 2014 BTVLEP SEP, particularly around:
- Developing life sciences¹ skills and education in Bucks, including STEAM inspiration activities,
 - Facilitating life sciences innovation and research in Bucks through the provision of storage and lab facilities,
 - Collaboration in R&D with businesses in the region.
- 3.14 The applicant does not provide any reference to regional or national policy. It is likely that the proposal shows alignment with public policy aims, however, including **the UK's Industrial**

¹ Identified as a priority sector in the SEP.

Strategy, through productivity and skills enhancement in a high value-add sector. As such, it has been deemed to have clear fit with wider public policy objectives.

The Strategic Case could be further enhanced with appropriate reference to sub-regional, regional and national policy, and how this is in alignment with the proposed project.

Strategic Case – Addendum

- 3.15 The applicant cites elements of the LIS Consultation document to show alignment with its proposed project. It makes the following key points:
- *Next generation MedTech* – providing local testing and training facilities to the national spine centre at Stoke and making it more attractive to potential students
 - *Commercialising innovation* (in Medtech and in education) – by providing testing and lab facilities for medical innovations; and by increasing access to anatomy knowledge and training for various healthcare providers
 - Proximity to London and the Royal Colleges; connection to Oxford

Independent Assessor Comments

- 3.16 The submission shows good alignment with the LIS. However, the business case would still benefit from reference to regional and national policy.

Economic Case

- 3.17 The submission considers a range of options to solve the problems identified in the Strategic Case:
- Build own storage and lab
 - **Do nothing ('no change')**
 - Go abroad
 - Buy another lab
 - Build only lab.
- 3.18 The submission asserts that the proposal will allow LMEA to create jobs and bring revenue into the Bucks region, rather than in other parts of the UK or abroad. It anticipated that 54-56 FTE positions will be created as a direct result of the proposed medical education centre within 5 years of opening. Anticipated indirect impacts include sustained local supply chain benefits, and short-term job creation in the built environment and hospitality sector during the construction period. Wider impacts include improved outcomes for 4,500 patients per surgeon trained at the facility, increased trainee employability, and educational benefits for schools.
- 3.19 The applicant estimates a NPV of £4.343M for the project, across a 10 year timeframe, discounted at 3.5% per annum.

Independent Assessor Comments

- 3.20 The submission includes a reasonable number of options. However, it provides only a perfunctory assessment of each, as either '**optimal**', '**possible**' or '**not viable**'. It does not provide sufficient explanation for exclusion of alternative options, and **appraises only the 'build own storage and lab' option**. As such, the project is deemed to have limited options analysis.
- 3.21 While, unlike other submissions, an NPV figure is presented, the applicant has not detailed how the NPV was calculated, including the method for assessing the costs and benefits streams, and whether optimism bias and sensitivity analysis were considered. Despite this, the Assessor recognises that the benefits derived from factors either nominated or alluded to in the Business Case are likely to be of significant regional and national value.
- 3.22 Benefits identified by the Assessor across the submission include employment creation, innovation and business support, health and liability cost savings, and improved STEM engagement and education across the skills needs timeline (including increased affordability of training). Given this, the scale of economic contribution and the value for money proposition of the proposed project is assessed as potentially significant.

A logical, evidenced and transparent economic appraisal of the proposed project and reasonable alternatives would ideally be carried out, as per Green Book guidance, to enable a full assessment of value for money.

Economic Case – Addendum

- 3.23 The applicant provides additional evidence around the wider economic benefits of the proposed project. It proposes to provide access to human cadaveric tissue that is financially affordable (given its capacity to store specimens and therefore make better use of them), and at a bigger scale than any other lab in the UK. The applicant asserts that very few start-ups currently consider using cadavers for testing due to low accessibility. It suggests that this will benefit innovators in the healthcare sector.
- 3.24 The applicant provides an example of a company with human tissue requirements, whose demand could not be met in the UK. It suggests that this demand could be met should the proposed project be developed.

Independent Assessor Comments

- 3.25 While a Green Book compliant economic appraisal has not been carried out, the evidence provided by the applicant suggests that the project could make a significant contribution to the economy.

Commercial Case

- 3.26 The applicant builds a strong case to indicate there is a significant gap in the current market in terms of cadaveric lab space and storage space for donors. Demand from potential end users is identified, from higher education institutions and from overseas. Future development opportunities are also identified, including adding a simulation suite with VR elements, use of synthetic cadavers once commercial viable, and 3D printing of sections and organs.

- 3.27 The Commercial Case includes a clear procurement strategy with key activities, milestones and delivery dates, nomination of a project manager role to oversee the procurement process, and identification of potential providers. The submission indicates that a suitable plot of developed, brownfield land has been identified for purchase, with preliminary discussions with stakeholders undertaken.
- 3.28 The following risks to the project are identified: no LEP funding, funding at the wrong points during development, inability to obtain an HTA and inability to find a suitable location/venue.

Independent Assessor Comments

- 3.29 The applicant builds a good case around the demand and commercial feasibility of the proposed project. However, more detail could be provided on the anticipated facilities and spaces, and day-to-day functioning and operations of the proposed centre, including the purpose and form of external partnerships.
- 3.30 A clear and detailed procurement strategy has been developed, with a project management role and potential providers identified.
- 3.31 While some risks to project success have been identified, no risk allocation table has been developed and no mitigating actions have been identified.

The submission could be strengthened with greater detail on the function and operation of the completed centre.

Commercial Case – Addendum

- 3.32 The applicant provides a detailed description of the anticipated facilities and spaces of the proposed project, as well as the day-to-day functioning and operations of the Medical Centre.
- 3.33 Facilities are to be divided into four separate areas:
- a preparation/simulation lab where attendees can practice technical skills in a dry lab environment
 - Anatomy cadaver lab, where specimens will be received and prepared, including storage and lab space
 - Lecture room to run through theory and video instruction
 - Assessment area to run certification courses
- 3.34 Activities include:
- A combination of own courses, external course leaders (such as associations and medical device companies, biotech and pharma)
 - Research on cadavers
 - Innovation and clinical testing from NHS innovation on early stage prototypes
 - Anatomy lectures for schools
 - Medical schools needing space/specimens, storage facility for universities
 - Delivery to other medical schools
- 3.35 The applicant identifies in a number of instances that relationships with suppliers and partners have already been established.

Independent Assessor Comments

- 3.36 The applicant provides a well-considered overview of the spaces and activities of the proposed Medical Centre and presents a good Commercial Case.
- 3.37 Though the applicant has responded to a number of risks raised (discussed below in financial and management cases), it has not provided a risk allocation table. A risk allocation table was not requested by the Assessor at the Request for Additional Information stage.

Financial Case

- 3.38 The total cost of the project is estimated at £4.35 million, with a funding ask of £2.175 million (50%) from BTVLEP. A breakdown of costs is provided across: equipment and freezers, building costs and land, legal fees, HTA license, and staff and training.
- 3.39 The applicant has committed £150,000 of its own funds towards the project and will seek bank loans of £1.25 million in total (£1m after the facility has been constructed). With the facility expected to be completed by 2020/21, the remaining equipment and freezers are to be funded through company profits and cash-flow. In summary, funding sources are sought as follows from 2018/19 to 2022/23:

<i>Funding source</i>	<i>Value</i>	<i>Proportion</i>
LMEA (applicant) total	£2,175,000	50%
<ul style="list-style-type: none"> • LMEA – committed 	£150,000	
<ul style="list-style-type: none"> • LMEA – bank loan 	£1,250,000	
<ul style="list-style-type: none"> • LMEA – projected earnings 	£775,000	
BTVLEP	£2,175,000	50%
PROJECT TOTAL	£4,350,000	100%

- 3.40 Income for the project post-completion is expected to be collected from laboratory rental, storage facility cadaver sales and internal courses. Totalling £2 million in 2021/22, annual revenue is expected to increase to £8.5 million by 2024/25.
- 3.41 The applicant commits to loan payments through the current operations of the LMEA business. It further suggests that external labs will be available for use until the proposed refurbishment is completed to standard. Rental income is committed as a guarantee.
- 3.42 The submission considers and deems State Aid risk as inapplicable to the proposal.

Independent Assessor Comments

- 3.43 Cost and revenue estimates for the proposed project and operations appear reasonable, though no method has been provided to indicate how they were developed. No cost contingencies appear to have been factored in. No sensitivity analysis has been undertaken, particularly around demand for courses and cadavers, which are major income streams, as discussed above. No NPV has been calculated. All costs should be included in the financial assessment, including capital costs.
- 3.44 **Successful delivery of the project is to great extent dependent on the applicant's ability to secure bank financing, with 29% of total project costs to be funded through borrowed credit. This presents a significant level of risk, both in terms of sourcing financing and the applicant's capacity for repayment, which has not been adequately addressed in the Financial Case. Risk**

associated with lower-than-projected income, such as if demand for the proposed centre is lower than anticipated, has also not been considered.

- 3.45 Whilst 50% match funding has been committed for this project, only 3.4% of the total project cost has been secured.
- 3.46 While the applicant has considered how its operations would progress in the event of a time overrun, it has not shown how it would address other cost overruns.

The applicant's plans to address financial uncertainty and risk, including cost overruns, should be set out more clearly before BTVLEP funding is granted. The Financial Case could further benefit from the leveraging of private sector or other funding against the BTVLEP grant. The financial assessment could also be improved through the undertaking of sensitivity analysis (e.g. Demand for courses and cadavers), the undertaking of discounted cash flow analysis, and the inclusion of all costs in the assessment (including capital costs).

Financial Case – Addendum

- 3.47 The applicant provides a significant amount of evidence to support projected scale of demand for courses and storage facility cadavers:
- Requests from the Oxford Head of Anatomy and Manchester Head of Department for LMEA to take on courses as soon as possible.
 - Demand for storage of cadavers: London Anatomy Office rejected over 200 donors in 6 months last year due to lack of storage.
 - Demand for cadavers: Manchester, Cambridge and Oxford Universities imported over 150 cadavers from the USA in the last 12 months. LMEA has secured commitment from these universities to source cadavers from LMEA instead, and has also been in conversation with another 5 labs, all of which prefer local sourcing.
 - LMEA is in conversation with Royal College of Manchester around collaborating on future training with the new centre.
- 3.48 It is suggested that forecasting has been undertaken based on conservative estimates and robust market research over the past 3 years.
- 3.49 The applicant has responded to concerns around risk mitigation with the following:
- Match funding: Is secured through **asset funding and a director's loan.**
 - Loan repayment: Has been budgeted.

Independent Assessor Comments

- 3.50 The applicant has responded to all risk-related concerns. It has provided substantial evidence to indicate that revenue streams are likely to be strong, and that therefore the project has a high likelihood of being financially sustainable. The financial case would still benefit, however, from sensitivity testing.
- 3.51 The applicant has not made any reference to capacity to return granted funds. The project is expected to reach a profit of £1.5 million by 2027/28.

Management Case

- 3.52 The submission presents a delivery plan with key milestones from 2018/19 to 2025/26 onwards. This includes the timing of construction and new facility opening, and the transition from current course delivery to anticipated new, transformed operations. The Management Case also includes detailed market analysis, including market segmentation.
- 3.53 The applicant provides previous user feedback **as evidence of LMEA's capability and experience**. While a Benefit Realisation Plan is not provided, various considerations are made around ensuring the proposed offer remains competitive and is successful, including pricing, advertising and promotion, and communication.
- 3.54 A risk management plan is also provided, **with 'dependencies', 'risks' and 'constraints'** identified and rated from low to high risk. Mitigating actions are also identified. Key risks include build delays and loss of funding. These are planned to be mitigated through the close monitoring of plans, and upfront securing of funding.
- 3.55 The undertaking of quarterly business reviews with LEP representation is identified as the only project evaluation and monitoring activity.

Independent Assessor Comments

- 3.56 While the submission provides a detailed list of internal operations and related costs and frequencies per year during the project delivery timeline, it does not incorporate activities around procurement and construction. The Assessor has considered the details provided in **the applicant's procurement strategy** in the Commercial Case in this regard. The **applicant's** timeline for delivery, with the developed centre expected to be fully operational by September 2020, is quite constrained and may need to be reviewed.
- 3.57 The final instalment of LEP funding (£200,000) would be required in August 2020. This is ahead of the Local Growth Fund expenditure deadline of 2021.
- 3.58 The Management Case could also include more provision around project management including governance and management structure, reporting arrangements, and a contract management plan.
- 3.59 Dependencies and risks appear to be well considered overall. A key dependency that the applicant fails to consider, and/or identify an appropriate mitigating action, is the timely and affordable securing of appropriate land for the development. While the submission states that a property has been identified, and discussions around its procurement are underway, the Management Case could be strengthened with greater consideration of this risk.
- 3.60 While the applicant identifies some post-implementation evaluation activity, more detail could be provided around monitoring and evaluation processes e.g. consideration of baseline and key performance indicators, and costing of evaluation activity.

The application could be strengthened with greater provisions around project management and governance, consideration of land and property procurement risk, and greater detail around planned evaluation and monitoring processes. Evidence to show that the project is deliverable within the given timeframe (i.e. Fully operational by September 2020) would also be beneficial.

Management Case – Addendum

- 3.61 The applicant suggests that its proposed timeline is based on conservative estimates. Based on conversations with its architects and suppliers, the build is able to begin with a 10 week lead time, and a 4 week installation time. It expects the centre to be fully operational by September 2020.
- 3.62 In terms of land and property procurement, an airfield at Booker, owned by Council, has been identified. Council **appears supportive of the applicant's interest and the applicant believes it** has a reasonably high likelihood of securing the site. The applicant recognises that there may be time delays associated with procuring a site from the Council, however, and is open to seeking another site through a commercial agent if needed. The applicant suggests that given it has no specific site requirements apart from size, there are a wide range of options available to it.
- 3.63 The applicant further provides evidence of personal project delivery experience within the LMEA **team. It is suggested that the project will become a core part of LMEA's business so will fall into** regular management systems. The project leader is identified to manage contracts and reporting.

Independent Assessor Comments

- 3.64 Though the applicant has provided assurance around progress on an identified site, and flexibility in procuring other sites, timely land and property procurement remains a risk. High level market analysis may provide greater certainty around the availability of suitable sites at the cost budgeted.
- 3.65 Project management and governance arrangements appear reasonable, though a contract management plan has not been developed.

Conclusions

Conclusions

- 3.66 In summary, the Business Case for a Medical Education Centre for Surgical Skills builds a strong case around the need and demand for a lab and cadaver storage space. Both the Strategic and Commercial Cases are considered strong, though more policy and external evidence could be referenced. There is no Green Book compliant Economic Case, but the project is considered likely to deliver significant economic benefits by the Assessor. The Financial Case appears sound. While there is limited information relating to the mitigation of cost overruns, the evidence relating to demand and income sources indicates strong revenue streams, and so risks are considered relatively low. The Management Case includes adequately considered management, governance and delivery structures.

Areas for Improvement

- 3.67 The Assessor considers that the Applicant has provided all necessary critical information to enable BTVLEP to make a funding decision.
- 3.68 Although not critical to the overall assessment, the Assessor recommends that the case for funding would be strengthened with the following:
- The completion of a Green Book compliant Economic Case with acceptable economic contribution and value for money shown

- Reference to regional and national policy, and how this is in alignment with the proposed project.
- Leveraging of private sector or other funding against BTVLEP grant
- Improvement of the financial assessment through the undertaking of sensitivity analysis, and the inclusion of all costs in the discounted cash flow analysis (including capital costs, which have been provided separately).
- Evidence to confirm low risk around land and property procurement
- Greater detail around planning evaluation and monitoring processes

4. Buckinghamshire Creates @Pinewood

Overview

Funding Request	Leverage
£1,645,000	9.7%*

*Leverage proportion takes into account a significant proportion of the match funding is provided 'in-kind' and so is not classified as additional private sector investment that is induced by the LGF investment

- 4.1 Bucks New University have submitted a Full Business Case requesting £1.645m (49% of total cost) from BTVLEP's LOT 2: Skills Capital. The funding will be used to create the International Academy for Film Industry University Education that will bring a full suite of 21 new masters and bachelors degree programmes, using industry-standard technologies, to the heart of the film industry in Pinewood, within 3 years, with a new professional higher education work-learning centre, in collaboration with Creative Media Skills (CMS) Group.
- 4.2 Through the new education facility and programme offer, the scheme aims to:
- to boost the growth and productivity of the film industry in Buckinghamshire through meeting the higher-level skills needs of businesses in the fast-growing sector
 - to use best skilled professionals in the film industry to attract inward investors to Buckinghamshire, accelerating the growth of a priority business cluster
 - to create in Buckinghamshire the leading provider of higher education for the film industry in the UK, producing work-ready graduates through inspirational, experiential education and training delivered in iconic studio locations in the UK
- 4.3 The benefit cost ratio (BCR) presented for the preferred option, based on forecasted cashflow (not economic benefits), was 1.44 including all investment and 2.93 when accounting only for only LEP investment. The scheme has a NPV of £1.467m and an internal rate of return of 9%.

Key Input Assumptions and Parameters

- 4.4 In deriving the forecasted cashflows, the applicant uses a series of assumptions and parameters within their finance model, the key and overarching inputs are presented below. For more detail please see finance model.
- Income:
 - A ranging fresh intake of students each year – see finance model for more information
 - Student Attrition of 8% going from first to second year, 4% second to third 2.5% from third to fourth year.
 - Postgraduate UK/EU students to be charged fees of £12,500 and undergraduate UK/EU students £9,250 per annum
 - Postgraduate International students to be charged fees of £13,750 and undergraduate International students £10,500 per annum
 - Each academic can deliver 550 hours of contact hours.

- Expenditure:
 - Increasing academic salary starting at 60,000 for the first year and 68,130 for the fifth year.
 - Range of other costs of students including HR and IT allocation and estate allocation.
- Net Present Value:
 - For the proposed project, the NPV was calculated assuming a discount rate of 3.5%, the calculation ran for 5 years

Independent Assessor Comments

- 4.5 **Though considered realistic and achievable, the applicant's finance model would have benefitted from explaining the rational used for some of the assumptions.**
- 4.6 Inflation has been accounted for in some areas of the model but it is less clear in other areas.

Strategic Case

- 4.7 A case for change has arisen from the fast-growing film sector in the South East which has created a skills shortage and consequently skills gap, as business hire premature staff. This has been exacerbated by below industry standard education programmes across the nation which incorporate little to no vocational learning. Whilst Government regulation on tuition fees has discouraged universities from investing in the high-quality education facilities incorporating the latest industry standard technologies required to deliver work ready graduates.
- 4.8 The applicant suggests the market has failed to deliver a solution because education is considered a merit good and businesses fail to internalise the positive externalities (in health, education and crime).
- 4.9 The scheme aligns with LEP priorities around:
- Strategic Economic Plan – contributes to two of the four strategic priorities as outlined in the **LEP's SEP**, business growth and innovation, and skills and talent. Furthermore, **targets one of LEP's several priority sectors, creative industry. Whilst tackling LEP-specific problems around brain drain, by creating exciting business and employment opportunities, and STEM qualifications.**
 - Local Industrial Strategy – already identifies Pinewood film studio, the location of the new education facility, and the Creative and Digital sector as internationally significant assets and priority sector respectively. The Strategy also encourages linkages with the education institutions to better serve the creative sector.
- 4.10 At the regional level, **the project supports the Oxford Cambridge Arc's priorities around placemaking and productivity.** Whilst at the National level, the scheme is well aligned with the National Industrial Strategy in bringing new ideas, developing people and creating places.
- 4.11 The strategic case further comments on its applicability to the **industry's agenda**, referencing the BFI and Creative Industries Council, in tackling a shortage of supply and skills gap by connecting education providers with the film industry to support the fast growing sector.

- 4.12 A comprehensive list of project dependencies is provided, from securing funding to negotiating lease arrangements, to recruiting and retaining a sufficient number of students. There does not seem to be any project interdependencies.
- 4.13 A full Equality Impact Assessment will be carried out at the start of the project. There will also be a focus on ensuring accessibility to the facility for disabled students and targeted promotion of the educational programme to under-represented groups.

Independent Assessor Comments

- 4.14 Overall, the strategic case for the scheme is considered strong. It is clear a wide literature review, incorporating industry sentiment, has been **considered and aligns clearly with the project's objectives**.
- 4.15 **The BTVLEP's LIS team agree there is strong fit with LEP priorities around supporting and developing the creative and digital sector, particularly in Pinewood Studios.**
- 4.16 There is a clear market failure, as identified by the applicant but, separately, the Assessor considers other market failures may be present including:
- information asymmetry - **employers feel current higher education provision 'to equip learners with the skills they need to be successful in the industry' and that there was insufficient understanding of the full range of roles available within the 'business of film'**
 - co-ordination failure - the application implicitly suggests a lack of co-ordination amongst rigid education providers and the agile film industry, delivering a suboptimal societal outcome
 - regulation failure – around tuition fees, which has meant universities are unable to raise sufficient capital to deliver sufficiently high-quality education facilities incorporating the latest industry standard technologies
- 4.17 Much of the existing quantitative evidence focuses on the national and UK context and need but **little on the LEP's. A greater local focus would improve the case for change. For instance, it is worth noting the presence of the National Film and Television School in the LEP which offers a similar programme.**

The strategic case is considered strong but could more quantitative evidence could be presented for the case for change at the LEP level.

Economic Case

- 4.18 An options analysis of three scenarios was presented: do nothing option, refurbished training facility on Bucks New University's campus, and Buckinghamshire Create @Pinewood (as described in the overview section). The latter being considered as the preferred option that delivers a full comprehensive education programme that maximises student intake and exploits **Pinewood's reputation, location and facilities.**
- 4.19 The applicant states the project will deliver the following direct economic impacts:
- £76,770k GDP growth (total spend x £3 model multiplier) within Buckinghamshire within 5 years
 - Creation of 33 jobs within Buckinghamshire within the higher education and training sector (derived from student demand and respective contact hours demand)

- 4.20 On wider economic benefits, through the supply of work-ready graduates, businesses will experience higher growth and productivity. By 2023, the Centre will deliver 1,435 graduates (levels 4-7) and inspire 1,500 young people in the LEP to seek work and higher education opportunities within the industry.
- 4.21 **The scheme's focus on education and outreach will have wider social effects.** By improving employment outcomes for all individuals, the project will improve social mobility and equality, **tackle the LEP's brain drain threat, and improve knowledge diffusion.**

Independent Assessor Comments

- 4.22 The applicant did not submit a detailed economic case and so the submission lacks an assessment of economic impacts and respective distributional and sensitivity analysis.
- 4.23 The option analysis presented was thorough in justifying and outlining a short list of cases. However, this could have been improved by considering a wider set of reasonable options in its long list i.e. from delivering courses on the university without refurbishment to private partnership.
- 4.24 **On the applicant's GVA estimate, the method used is not considered to be of Green Book standard.** Taking it at face value, there are still considered to be issues around the estimated value as they calculations apply: total income instead of expenditure; a high and unsubstantiated multiplier; and no consideration of additionalities (deadweight, displacement, leakage or optimism bias) or inflation.
- 4.25 **The applicant's estimated jobs created figure is more robust and is based on forecasted student contact hours required to deliver the suggested set of courses.** Whilst there is no information, or explanation, for the assumptions used in calculating the figures, they seem achievable.
- 4.26 **From the Assessor's perspective, the development of the new learning facility is considered likely to have a strong economic case and would likely deliver a high GVA value from the teaching resources required.**
- 4.27 An improved economic case would place more consideration on the wider economic impact the scheme would deliver i.e. agglomeration effects, FDI, clustering, impact of socioeconomic characteristics.

A Green Book Standard economic case from options analysis to sensitivity testing would permit a more robust assessment of the economic case. In addition, more consideration could have **been placed when talking about the project's wider economic impact.**

Economic Case – Addendum

- 4.28 The applicant states a prudent assessment was undertaken and numbers presented in the model and Full Business Case are regarded as realistic and achievable. In short, to inform the **model's assumptions around student numbers, the University analyses annual attrition on programmes** which is complimented with market intelligence and industry consultations.

Independent Assessor Comments

- 4.29 The rationale behind the assumptions used in the Finance Model appear to be formed using reasonable and sensible methodology and judgement. The overall detail within the Economic Case remains limited.

Commercial Case

- 4.30 Gauging demand, the 2018 NESTA report on the creative industries identified a large pool of young people interested in working within the creative industries but reported a shortage in quality HE provisions where students and apprentices can get an academic experience in a vocational industry-setting.
- 4.31 Furthermore, in the 2018-19 academic year, Bucks New University piloted three courses from its proposed programme at the forecasted fee levels. As of December 2018, the number of applicants for October 2019 courses had already matched those recruited for the 2018 courses.
- 4.32 On its commercial strategy:
- Courses – the university and CMS are best placed to deliver a cost effective and high quality programme.
 - Capital equipment – cost estimates were made through consultation with academic, **industry experts in the University and CMS, and the former's Head of Technical Resources**. It is noted estimates may change after consultation with employers in the industry.
 - Estate – Pinewood studios have confirmed that space is available for the project and gives its full support.
- 4.33 **The applicant's procurement strategy is thorough and follows the University's Procurement Regulations. If granted, LEP funding will be the responsibility of the University's and will not be passed onto CMS in any form.**
- 4.34 **Within the applicant's risk register, most risks have been allocated a risk owner.**

Independent Assessor Comments

- 4.35 **Overall, the commercial case demonstrates that there exists demand for the project's offer and that robust and tested measures have been put in place to ensure the procurement and contracting for the project is done in the most cost effective and effective manner. However, there were elements missing from the case around contract and risk management.**
- 4.36 It would provide greater clarity and reassurance, if additional information on student demand on the piloted courses were provided i.e. did the recruited number match expectations and assumption used to calculate forecasted income.
- 4.37 There was little information on contracts, particularly around how procured suppliers will be incentivised to deliver their goods and services. Alongside the project plan, the commercial case would have been benefitted from setting out indicative contractual key milestones and delivery dates.
- 4.38 The applicant has not included information on how risks will be managed.

The commercial case could have included more detail on contract management and arrangements in place, as well as risk allocation management, to ensure cost effective delivery.

Commercial Case – Addendum

- 4.39 **In response to gauging the success of piloted courses, the applicant states “piloted courses have met the recruitment and applications expectations” and were in line with assumptions used model.**
- 4.40 On reinforcing the commercial viability of the project, the University outlined the rigorous approach used including market intelligence gathering on competitors and sector growth; and engaging with Pinewood Studios to test the currency of their offer.
- 4.41 **An Audit Committee within the University’s Council is responsible for assuring the Council and the Charity Regulator that all activity of the University provides best value for money. Whilst, best practice in contract management will be used to deliver the project.**

Independent Assessor Comments

- 4.42 The applicant has provided reassurance on concerns raised. The methodology used to determine assumptions appears rigorous and sounds. Furthermore, the University possesses a strong contract management framework to ensure value for money is achieved.

Financial Case

- 4.43 The total cost of the project is estimated to be £3.357m. Cost estimates were produced through consultations with academic and industry experts. Bucks New University is requesting £1.645m (49%) to match the already secured remaining funding.
- 4.44 Match funding of £1.712m is said to be secured. As evidence, the applicant has appended a contract worth £140,000 with a private investor. The funding source and details of the remaining £1.572m funding is less clear, with £852,000 possibly coming from Bucks New University and CMS, and remaining £720,000 not clearly identified.
- 4.45 During the first year of the project, a contingency fund of £170,000 will be set aside.
- 4.46 A detailed breakdown of forecasted revenue and expenditure by year and type was provided in the finance model covering the period 2018-19 to 2022-23, totalling £25.890m and £19.799m respectively. The Centre is expected to turn profitable from the second year onwards. The preferred option will have an NPV of £1.467m and IRR of 9%, giving it a BCR of 1.44.
- 4.47 The applicant states the project is state aid compliant.

Independent Assessor Comments

- 4.48 Overall, the financial case was well stated and strong, and supported by a detailed and robust appended finance model. However, there are a few details from the financial case which will require further reassurance to provide sufficient confidence in the case.
- 4.49 It is unclear whether all expenditure will take place prior to 2022 but according to the project plan all phases of the project will be completed by end 2021.
- 4.50 The forecasted income and expenditure streams were estimated in the finance model and are considered achievable. However, it would have benefitted from outlining, explaining and justifying the assumptions used. Also, the finance model does not seem to have accounted for inflation.

- 4.51 Though match funding is said to have been secured, aside from the £140,000 obtained from a private investor there is little information on the remaining £1.572m. Obtaining more information on this will help improve the case i.e. source, description and guarantees.
- 4.52 With the bulk of capital expenditure to be spent at the offset (year 0), it is unclear what the contingency fund set aside as of the first year of the project (year 1) will be used for. This could possibly be used for capital or operational contingency or both. If capital, a 5% contingency is considered small.

The financial case would have benefitted from justifying the assumptions used in its finance model and providing more information of secured but not identified funding.

Financial Case – Addendum

- 4.53 Costing of equipment were identified using market prices but when purchased will be done through a competitive procurement process.

Independent Assessor Comments

- 4.54 There are concerns around identified costs, and resultingly the funding ask, and their validity for inclusion in the financial case. This is important as this affects value for money judgements and leverage calculations:

- 1) **The Full Business Case states “equipment to support course delivery” is to cost £1,859,000** which is less than the £1,985,000 outlined in the EoI. The latter being where total costings and funding asks are based on. Secondly, the costed £1,859,000 is made up of equipment to be purchased (two figures were presented in the addendum – £928,337-£929,160 – though not significantly different) and already purchased equipment (£928,840). On the latter, from the EoI, £720,000 was to be match funded for **capital equipment purchases and after including the £140,000 “private investor contribution”** this totals £860,000. This would suggest equipment has been purchased at risk. There needs to be a clear and justifiable rationale for this.
- 2) Similarly £852,000 cost for **“Space required for delivery Bucks/CMS” is related to existing space, and reflects the “value of learning space”**. In other words, **no additional capital expenditure will be spent. If this is the case, this is an “in-kind” benefit and though this is treated as a cost it should not be reflected in leverage calculations.**

- 4.55 In conclusion, the total cost of the project is stated to be £3,357,000 (and £126,000 lower if equipment purchases are less than what was originally stated in EoI). Excluding **capital expenditure for equipment and “in-kind” benefits, the actual capital costs, for which LGF funding is available for, could be as low as £1,449,160** (or £1,575,160 reflecting the higher equipment costs quoted). This is less than the £1,645,000 requested from the LEP.
- 4.56 Leverage could, effectively, only be the £140,000 private investor contribution against a total investment of £1,449,000. This suggests that the LGF funding ask may be more appropriately set as around £1,309,000.
- 4.57 It is worth noting, estimates are based on reference market prices as opposed to the realised cost resulting from a rigid procurement exercise and that it is likely actual capital costs could be even lower.

- 4.58 It is highly advised, clarification be sought on the robustness of cost items, and their inclusion within the financial case, funding ask and match funding. This will inform judgement on value for money and leveraging.
- 4.59 Based on the finance model and the commercial viability of the project, there does seem potential for clawback of funds from this scheme.

Management Case

- 4.60 A detailed project plan including key milestones and delivery dates are included.
- 4.61 A clear governance structure and project team for delivery is outlined in the management case. On project management, the applicant will appoint a PRINCE2 qualified Project manager with experience in delivering high-value projects. There are strict and thorough internal and external project assurances in place to ensure efficient delivery.
- 4.62 A risk register **gauging each risk's likelihood and size of impact, mitigating action, and monitoring indicator** was provided. Key risks range from failure to recruit sufficient number of students to delivery relationship CMS breaking to competitor university developing a similar offer at Pinewood Studios.
- 4.63 A benefits realisation management plan was included. The table identified the benefits, target and realisation date, evaluation approach and how the benefit will be achieved.
- 4.64 The applicant outlines will carry out post-project evaluations 6 months and 1 year post project completion, these will involve assessing project performance and deliverables.

Independent Assessor Comments

- 4.65 Overall the management case was well considered and provides sufficient confidence the management and governance are in place to successfully deliver the project. Though there were no major concerns, there are a few areas within the case which should be noted.
- 4.66 As mentioned in the commercial case, the rational used to allocate risks to owners is not explained, whilst not all risk possess an owner. The management case also does not detail how risk is managed. Though internal auditors are stated as being satisfied with the risk register, there is a concern around the risk of underestimated cost of equipment, which was not included.
- 4.67 Though a Benefits Realisation Management Plan and Register were included and detailed in aspects, this could have been improved by providing greater focus on how the project will ensure benefits are realised. Instead it was more focussed on monitoring outputs and outcomes, which was broadly satisfactory.
- 4.68 A high-level evaluation plan is presented. This excludes any reference to process evaluation, economic impact analysis, and reconsidering the intervention logic. The cost plan does not account for monitoring and evaluation costs.
- 4.69 The applicant could have improved its management case by including previous relevant project examples delivering similar and equally as complex schemes, or that of its subcontractors.

There were no critical areas for improvement, although including previous project examples of scheme of similar size, budget and complexity would provide a more complete management case.

Management Case – Addendum

- 4.70 The Applicant confirms they possess “the resources and capacity to deliver in a timely manner and in budget for the Bucks Creates@Pinewood proposal by ensuring that managing, monitoring and reporting on progress of the project is done against the agreed deliverables and milestones”.
- 4.71 It is stated in the addendum the University has “extensive experience of managing major projects to time and budget, including new build, new systems, and curriculum delivery and development” as well as those which draw from other grant funded schemes. In total, seven project or scheme examples were presented.

Independent Assessor Comments

- 4.72 The Applicant has strengthened their management case by providing details of previous experience in delivering projects of similar or bigger size and complexity.
- 4.73 Though the expenditure profile states all costs will be incurred in 2017-18, this has since passed, and reassurance spending will be completed by 2021 will need to confirmed.

Conclusion

Conclusions

- 4.74 **The Buckinghamshire Creates @Pinewood’s Full Business Case was well considered but** does require a few critical clarifications. A strong and convincing case of change is presented. **Furthermore, there is a clear alignment with the scheme’s creative and digital focus and LEP’s agenda.** Though a full Green Book standard economic case was not submitted, the Assessor expects the project to deliver a strong BCR and respective economic impact. The commercial case demonstrates realistic commercial viability.
- 4.75 The finance model submitted by the applicant appears to be credible and reinforces the self-sustainability of the model. Though there is no reference to repayments, there is potential for clawback of funds based on the finance model and commercial viability of the project. However it is crucial clarifications around the robustness of cost items, and their grounds for inclusion, and related funding asks and match funding, as detailed above, are sought. In particular, the assessment completed to date gives grounds for arguing the LGF funding ask should be lower.
- 4.76 The management case provides sufficient confidence to suggest the management and governance are in place to deliver the project.

Areas for Improvement

- 4.77 Prior to any funding approval, the Assessor highly recommends BTVLEP to seek additional information from the applicant on:
- Provide clarification on cost items and related funding ask and match funding, as detailed in the Finance Case – Addendum section above.
- 4.78 Although not critical to the assessment of whether funds should be released, the Assessor recommends that the case for funding would be strengthened as follows:
- Provide more quantitative evidence for the case of change at the LEP level.
 - Re-submission of the economic case to align more closely with Green Book guidance.

5. School of Computing and Centre for AI

Overview

Funding Request	Other Match Funding
£2,000,000	66%

- 5.1 The applicant, the University of Buckingham, has submitted a Full Business Case for the building of a new School of Computing and Centre for Artificial Intelligence. It proposes to create new centres for training and applied research within the School of Computing, providing **opportunities for collaboration in programme delivery and support of Buckinghamshire's high growth companies.**
- 5.2 The project has been costed at a total £6 million, with a £2 million (33%) funding ask from BTVLEP.
- 5.3 No NPV or BCR has been provided by the applicant, but the proposal has the potential to make a significant economic contribution.

Key Input Assumptions and Parameters

- 5.4 In deriving the forecasted cashflows, the applicant uses a series of assumptions and parameters.

Economic appraisal

- Benefits:
 - 27.5 new long-term jobs created (direct), 60 construction jobs (short-term), 100 graduate jobs (indirect)
 - 10 spin-outs created
 - 2 new Knowledge Transfer Partnerships created per year (each worth £125k)
 - 6 events per year reaching direct audience of 500 per year
 - Programmes reaching 5,000 per year
 - Increased proportion of female undergraduate students to 30% over five years
 - Attraction of 1 new major investment per annum
 - Varying timescales

Financial appraisal

- Forecast over 2021-2027, discount rate of 2.5%.
- Income:
 - Foundation, postgraduate, undergraduate, apprenticeships, PhDs and evening courses increasing to £4.3 million by 2027
 - Foundation (central income), international research grant, and KTP research grant increasing to £0.6 million by 2027
- Cost of sales:
 - Scholarships, payroll, staff costs, other academic, site and equipment, and general costs £2.2 million by 2027

- Research grant costs and other central costs £2.7 million by 2027

Independent Assessor Comments

- 5.5 The submission provides very reasonable benefit estimates. However, these are not used to inform a full economic appraisal.
- 5.6 The submission provides adequate operating cost and revenue streams, but fails to give a breakdown of capital costs. This is discussed below under the assessment of the Financial Case.

Strategic Case

- 5.7 The submissions demonstrates an overall high-level rationale for strategic intervention: to **ensure that Buckinghamshire's high growth companies have the** required skills needed to benefit from the projected boom in the AI sector.
- 5.8 The submission describes how the proposal responds to the National Industrial Strategy and its Grand Challenges, as well as the visions and emerging economic islands of **Buckinghamshire's** Local Industrial Strategy. This includes:
- training of a new generation of AI and Data Science specialists to fill increasing demand in the UK,
 - improved medical technology,
 - battery management and transport innovation for clean growth,
 - better transport delivery,
 - collaborative research with high-tech engineering companies.
- 5.9 The proposal has six strategic aims, focused around skills and training, nurturing spin-off companies, supporting productivity of Buckinghamshire priority sectors, inspiring the next generation (particularly women), and ensuring lasting economic value. It also seeks to benefit from the Cambridge-MK-Oxford Growth Corridor.

Independent Assessor Comments

- 5.10 The Strategic Case shows good policy alignment, at both the regional and sub-regional levels. Alignment is shown across key policy documents and areas of interest.
- 5.11 **BTVLEP's LIS team state the project is of strong strategic alignment. It aligns well with the focus** around AI in both the local and national Industrial Strategies. Its disruptive nature has cross sector implications.
- 5.12 However, the submission shows only a limited detailed rationale for intervention and need for public funding. Some discussion of the current gap in the local areas is provided (in the Economic Case section), but the submissions would benefit from a stronger demonstration of need. Details of how the current School of Computing is limited in its ability to deliver anticipated project benefits, and how there is currently a commercial funding gap would be beneficial.
- 5.13 While the applicant does not directly identify market failures, the case for intervention would likely be based on a positive externality market failure argument.
- 5.14 There is no consideration of project dependencies.

Whilst the project demonstrates good policy alignment, the Strategic Case could be improved with the provision of more detail and evidence around the specific need for a new School of Computing and Centre for AI, and the rationale for public funding for this project.

Strategic Case – Addendum

- 5.15 The Applicant suggests that the current School of Computing is inadequate, inflexible, overcrowded and poorly designed. It further states that there are space constraints in expanding its research into AI, immersive technologies, IOT and battery technology.
- 5.16 The Applicant suggests that a new facility is needed as there is no existing facility within the University or within the surrounding area that is suitable for such an expansion. The Applicant does not have the means to solely provide capital investment for the project, and without a grant, the potential skills, qualification, retention and employment benefits are not expected to be realised.

Independent Assessor Comments

- 5.17 The addendum provides a more informed strategic rationale and case for public intervention for a new Centre for AI. In particular, it provides more detail around demand at the organisational level for a new facility.
- 5.18 The submission still does not provide a clear and evidenced logic chain from current need to the proposed intervention. While the original business case cites ONS data on rising levels of underfilled positions in the IT industry, the strategic case would benefit from more evidence around current and future skills shortages in specific sectors relevant to this proposal. The strategic case must answer the question: from the public benefit perspective, what is the need at present, and how will the proposed activities of the Centre for AI solve this problem?
- 5.19 The strategic case would also benefit from clarity on why the private sector is not able or willing to invest in this project.
- 5.20 While the Applicant has not provided a clear rationale, there remains good strategic fit with **BTVLEP's priorities**.

Economic Case

- 5.21 The Applicant anticipates the delivery of a range of benefits.
- 5.22 This project is expected to deliver twenty new Knowledge Transfer Partnership projects over a 10-year period. It is further expected to bring foreign direct investment to Buckinghamshire and will offer new degree apprenticeships specialising in AI and Data Science, offered in partnership with businesses and the IT industry.
- 5.23 27.5 new, long-term jobs are expected to be created as a direct result of this project. 10 of these are expected to be lecturer posts, generating an annual additional GVA of £704,250. 100 new jobs are expected to be created indirectly, via spin-outs and business growth, generating an additional annual GVA of £9,200,000. 60 short term, construction jobs are also anticipated for the duration of the **project's delivery**.
- 5.24 Other, unquantified benefits identified by the applicant are an enhanced reputation for the university and as a result, increased attractiveness for Buckinghamshire overall, and increased number of partnerships and research opportunities, and creation of spinouts. Increased

diversity in the IT industry, increased aspirations in young people and a well-informed general public on developments in AI and other technologies are also identified as wider benefits.

Independent Assessor Comments

- 5.25 The submission does not undertake any options analysis. Undertaking this aspect of the economic case could better highlight the need for a new centre, compared to the reference case (no change scenario), where the existing operations of the School of Computing continue as present.
- 5.26 While some economic analysis has been undertaken, a Green Book compliant economic case has not been provided. While consideration of the direct job creation alone does not indicate a high economic contribution, the indirect jobs and other business and skills impacts could be very high. As such, the scale of economic contribution and the value for money proposition of the proposed project is assessed as potentially significant.

A logical, evidenced and transparent economic appraisal of the proposed project and reasonable alternatives (as per Green Book guidance) would provide an enhanced understanding of the value for money from the scheme.

Economic Case – Addendum

- 5.27 The applicant considers three options:
 - Staying in current accommodation (base case), which would not allow the applicant to leverage its strengths and produce the forecast benefits
 - Building on an alternative site, which though ready for development, the applicant anticipates high build costs
 - Building in and around the Clore Lab (preferred option), which would see the new facility being located in the heart of a new quad environment, and encourage interaction between the faculties, the community and the business community.
- 5.28 **The ‘Revenue and Costs’ spreadsheet provides information current and forecast student numbers.** This is summarised in the table below:

Year	Student nos.
2019	118
2020	(not given)
2021	176
2022	218
2023 (post new build)	386

Independent Assessor Comments

- 5.29 The Applicant includes some consideration of alternative options in the addendum. The submission would benefit, however, from the inclusion of information on how the Centre for AI will provide an uplift in social and economic benefit compared to the base case (where business continues as usual). For instance, when capacity would be reached in the current School of Computing building for both course, research and other activities, and how much more of this activity would be allowed with the new build.

- 5.30 There remains no detailed description of what is being proposed and what will be delivered by the investment. While some information can be garnered across the business case and addendum (e.g. existing Knowledge Transfer Partnerships, proposed courses), it is difficult to ascertain what activities the applicant proposes to deliver, and therefore the range and level of benefits that could be derived e.g. research, business incubation, partnerships etc.

Commercial Case

- 5.31 The submission shows some evidence of commercial deliverability, providing reference to the experience and success of the current School of Computing.
- 5.32 Some consideration of procurement processes is given, with the Project Board charged with responsibility for procurement, **to be undertaken in line with the University's established** procurement processes.
- 5.33 Risks to project success are considered in the risk analysis and mitigation plan provided in the Management Case.

Independent Assessor Comments

- 5.34 **While evidence of the School's** success and staff capacity is given, the submission provides little evidence around the demand for, and commercial feasibility of, the proposed project. Greater evidence could be provided around current market demand, building on the rationale of the strategic case.
- 5.35 Procurement processes are considered, but further elaboration in this area could be beneficial.
- 5.36 A well-considered risk mitigation plan is provided, which includes risk allocation and mitigating actions.

The submission requires greater evidence of demand for, and commercial feasibility of, the proposed project. Further elaboration on procurement processes could be beneficial.

Commercial Case – Addendum

- 5.37 The Applicant cites a number of factors to evidence demand for the proposed project. These are:
- Explosive growth in AI courses
 - Investments by HEIs
 - Growth in student/ PhD numbers
 - Strength in KTPs and applied research in battery technology.
- 5.38 The Applicant also includes details of two major LGF-funded projects, both over £8 million, over the last 24 months. While one ran £750,000 over budget, this was absorbed by the University of Buckingham.
- 5.39 No additional detail around procurement is provided.

Independent Assessor Comments

- 5.40 This supplementary information forms the basis of a good commercial case.

- 5.41 The commercial case would still benefit, however, from more information on what procurement is required, and more detail around the procurement processes needed.

Financial Case

- 5.42 The total cost of the project is estimated at £6 million, with a funding ask of £2 million (33%) from BTVLEP. The expenditure timeframe is from 2018/19 to 2020/21.
- 5.43 The project **is expected to increase the University's turnover by an estimated £3 million per annum.**
- 5.44 The **applicant's financial contribution is to be made through the raising of a Bond.** The submission states that further funding opportunities are being explored through donations and industry partnerships. The project is to be sustained in the long term from tuition fees and research income, grants, donations and foreign direct investment.

Independent Assessor Comments

- 5.45 No rationale, nor breakdown, for cost estimates have been provided. This significantly constrains the assessment of the financial case.
- 5.46 There is also no quantification and/or breakdown of revenue streams. As such, while it is claimed **that the project would significantly add to the University's turnover,** the affordability of the project cannot accurately be assessed. While the bond is not yet secured, this is well considered and planned for in the risk analysis/mitigation table. Further funding opportunities are also being explored.
- 5.47 No provisions have been made for time or cost overruns on the delivery of the project.

The submission would benefit significantly from a standard financial assessment, including sufficient presentation of expected cost and revenue streams, cost contingencies and discounted cash flow analysis, to illustrate project affordability. Time and cost overruns should **also be included in the project's risk analysis/mitigation table.**

Financial Case – Addendum

- 5.48 The Applicant has provided a clear breakdown of operating costs and revenues over a seven-year period from 2021, with a discount rate of 2.5%. The project shows good financial affordability, with total revenue expected to reach £5.0 million by 2027, compared to costs of £2.7 million.
- 5.49 The Applicant states that, on advice from its estates team, there is sufficient slack to deliver the completed building before the deadline of utilising funds. The Applicant further believes that the budget is adequate, based on the experience of delivering similar buildings, but commits to absorbing any cost overruns.
- 5.50 The Applicant has considered State Aid and believes that there is no breach, on the grounds that **the aid is in support of the strengthening of the Universities' Charitable Objects rather than delivering any commercial advantage to a single commercial entity.**

Independent Assessor Comments

- 5.51 The project shows good financial affordability. While no reference to potential clawback is made, the high profit margins forecast by the applicant indicate that this is a possibility. At the proposal stage, the Applicant stated that it was happy to explore, with the Board of BTVLEP, the **possibility of returning in future the equivalent value of the grant requested. It states that** “This discussion could take place in the event of either: the sale of a land holding, if this can be brought within the next local plan; or in the form of an option in a new AI ventures fund, the planning of which is at the exploratory stage”.
- 5.52 No cost contingencies appear to have been factored in, and no sensitivity analysis has been undertaken. The assessment uses a discount rate of 2.5%, rather than the standard 3.5%.
- 5.53 A breakdown of capital costs has still not been provided. While the Applicant states that the anticipated build costs are based on two recently completed buildings, it has not provided any information on what size, configuration and content is proposed for the new build. As such, it remains difficult to gain a true understanding of the affordability of the project and also raises questions around the adequacy of planning for the project. This issue also affects the other ‘cases’ in the submission e.g. understandings around procurement in the commercial case.
- 5.54 The breakdown of funding sources and match funding is unclear. The Applicant states that the University will raise a bond of £25 million, but it is not clear why this amount is required. It further states that other sources of funds will be raised over the period of the build to fund both capital and revenue costs.

Management Case

- 5.55 The submission states that a Project Board comprised of senior university figures has been established to provide overall direction, monitoring and evaluation for the project. A delivery plan is further provided, with clear milestones and a timetable for delivery. Some consideration of contract management is included, with the submission stating that standard university contractual clauses will be included **to ensure the university’s protection in light of** delays or contractual difficulties.
- 5.56 **The submission’s** risk analysis and mitigation plan includes strategic, financial and management/organisational failures. **Risk ‘owners’, impact** scores and mitigating actions are also provided.
- 5.57 Monitoring and evaluation activities (included in the Economic Case) comprise the following:
- Quarterly reports to the LEP during project build from the Estate Bursar (an identified member of the Project Board)
 - The establishment of a user group to meet monthly to evaluate the post implementation project outcomes, and feed this back to the LEP.
- 5.58 A benefits realisation and monitoring plan is included, which lists anticipated benefits, identified targets/deliverables, and method and timescale for measurement. The plan also identifies the senior university figure responsible for the realisation and measurement of each benefit.
- 5.59 It is unknown when the final instalment of LEP funding would be required, but the expenditure profile is anticipated to end at 2020/21.

Independent Assessor Comments

- 5.60 A clear and detailed project delivery plan is provided, along with a high quality benefits realisation plan.
- 5.61 Monitoring and evaluation commitments are also appropriate, but could be improved with consideration of costs involved.
- 5.62 The Management Case includes a detailed and well-considered risk analysis and mitigation plan.

The Management Case is considered to be well developed and provides assurance that the project could be successfully delivered within the timeframes available.

Management Case – Addendum

- 5.63 Not applicable.

Independent Assessor Comments

- 5.64 A contract management plan has not been provided, but the Management Case is otherwise well developed.

Conclusions

Conclusions

- 5.65 In summary, while demonstrating alignment with policy requirements, the potential to deliver significant economic contributions, and a strong Management Case, the overall case for investment in the School of Computing and Centre for AI would benefit from additional detailed assessments.
- 5.66 Within the Strategic Case, the high-level case for investment could be expanded to offer greater insight into the need for the provision from a public benefit perspective, and the specific ways the project will deliver benefits. A more comprehensive economic assessment would provide the surety around value for money from investment. A detailed description of what is being proposed (in terms of both the physical facility and the activities within it), and a breakdown of capital costs would provide greater assurance that the project has been well-conceived.

Areas for Improvement

- 5.67 Prior to any funding award, the Assessor recommends that BTVLEP seek additional information from the applicant in the following areas:
- More detail and evidence around the need for a new/expanded School of Computing from the public perspective, and the rationale for public funding for this project
 - The completion of a more thorough Economic Case, in-line with Green Book requirements, with acceptable economic contribution and value for money shown, including options analysis.
 - The completion of a standard financial assessment, including a breakdown of capital costs. Clarity should also be sought around the sources, level and security of match funding as this is unclear in the Addendum.

5.68 Although not critical to the assessment of whether funds should be released, the Assessor recommends that the case for funding would be strengthened with:

- Further elaboration on what procurement is required and proposed procurement processes
- Consideration of costs involved in monitoring and evaluation activities.
- Improvement of the financial assessment through the undertaking of sensitivity analysis, and the inclusion of all costs in the discounted cash flow analysis (including capital costs).

6. The National Centre for Immersive Storytelling

Overview

Funding Request	Other Match Funding
£288,073	42.6%

- 6.1 The National Film and Television School (NFTS – lead partner), and delivery partners, were recently chosen to run a new industry centre of excellence in immersive **storytelling**. The centre's approach will deliver training in action, providing opportunities for creatives to learn through taking part in immersive productions, using VR technology, that tackle key creative and technical challenges.
- 6.2 **The Centre's aims are to:**
- 1) Encourage sector engagement, develop a local and national base of creative and commercial competencies that establish the UK and the region as a world-leader;
 - 2) Translate, adapt and innovate creative and narrative languages for immersive;
 - 3) Embed diversity in their training approach to ensure strong representation in immersive;
 - 4) Identify, review and monitor skills gaps in the immersive sector and construct collaborative industry-HEI curricula that respond to these, focusing on creative and tech;
 - 5) Develop a next generation of talent fluent in immersive storytelling techniques with access to a network to kickstart their careers; and
 - 6) Establish a strong legacy for the Industry Centre of Excellence.
- 6.3 NFTS are looking for £288,073 (57% of total cost) in LEP funding to improve the facilities and equipment at what will become Britain's first ever national hub for training, experimentation and production in immersive technologies like Virtual Reality, Augmented Reality and Mixed Reality. This will include the installation of a Dolby Atmos immersive sound system and purchase of essential hardware such VR headsets and computers.

Key Input Assumptions and Parameters

- 6.4 No specific assumptions or parameters were set out within the Full Business Case.

Independent Assessor Comments

- 6.5 No applicable.

Strategic Case

- 6.6 On the case for change, the **Applicant possesses a "fit for purpose and well-regarded" surround sound cinema but the proposed new system differentiates itself as it will "truly immerse" the audience**. The applicant believes that they will become the only higher education institution in the UK to have a Dolby Atmos-equipped cinema.

- 6.7 The Centre **aligns with BTVLEP's agenda** to promote the Creative and Digital sector. In **Buckinghamshire's Local Industrial Strategy**, there are specific references to Pinewood Studios and NFTS as opportunities for growth.
- 6.8 At the wider national level, **the immersive centre directly contributes to the Government's Industrial Strategy** in promoting R&D and immersive technologies. Moreover, a recent Government review of the Creative Industries emphasised the importance of immersive and translating its benefits to nationally strategic sectors i.e. healthcare, defence and construction.
- 6.9 There are no interdependencies with other projects.

Independent Assessor Comments

- 6.10 Overall, the strategic case demonstrates alignment with policy requirements but does not present a detailed case for change or evidence of need. A key issue, as throughout the Full Business Case, is linking and emphasising the importance and role facility improvements and **equipment purchases to the Centre's objectives and aims**.
- 6.11 **The BTVLEP's LIS team states there is strong strategic fit with LEP priorities in helping develop** the creative and digital industry using immersive technology. All of which will help Buckinghamshire position itself as a centre of AI and immersive technology.
- 6.12 The application would have benefited from improved structure specifically through consideration of the intervention logic which could have been framed around a logic chain. Doing so, would have allowed the applicant to consider the case for change and rationale for intervention in tackling market failures i.e. positive externality and merit goods.
- 6.13 The case for change does not show evidence of need. This could have possibly been framed around the inhibiting nature of the existing sound system, the needs of the industry and students, and how the new system will address these issues and help the Centre achieves its goals.
- 6.14 Although there is a strong strategic alignment, it is focused around **the Centre's alignment as a whole** and there is little focus on the additionality offered through the investment.

The strategic case would ideally be reframed around its intervention logic. This would allow the NFTS to set out a more directly tangible case for investment specifically focused upon the additional immersive technology.

Strategic Case – Addendum

- 6.15 It is clear, and re-emphasised, from the addendum, the Centre possesses a very strong strategic policy fit. Its existence is entirely dependent on **the Government's Industrial Strategy and associated fund**, and there is strong local policy sentiment to see its growth.
- 6.16 The case for change argument presented states that existing facilities are unable to utilise the audio side of immersive technologies. This inhibits the **Centre's participants** taking part in immersive projects or making immersive productions. It also prevents sound design, composing and/or games design students in being engaged in immersive audio work. Furthermore, it affects **participants' exploration of immersive technology** potential, enthuse and persuade them of their value, and to screen such productions.

Independent Assessor Comments

- 6.17 Although the strategic importance of the Centre is clear and strong, concerns raised previously on developing a Reference Case against which to build the ‘case for change’ and ‘evidence of need’ remain largely unaddressed. There is little specific description as to what practically will result from a lack of investment in facility improvements and what it will mean in terms of the extent to which the LGF investment will alter the operation of the Centre against the status quo.

Economic Case

- 6.18 **As part of the case’s options analysis, it is mentioned the applicant has explored a number of other sound systems in the market. These ultimately did not match Dolby’s strong footprint and adoption in the industry.**
- 6.19 **It is stated the business case does not include a NPV because the “economic case is built on the impact the centre will have on the wider local and national economy by upskilling workers and students, de-risking production and supporting talent and companies, as opposed to directly generating revenue for the School”.**
- 6.20 More specifically the wider benefits the Centre will deliver include:
- Upskilling more than 180 individuals in the film and television sectors
 - Provide new commercial opportunities and support for over 50 companies
 - Generate or save 80+ jobs
 - Attract inward investment

Independent Assessor Comments

- 6.21 The applicant did not submit a Green Book standard economic case, with no specific economic impact and value for money assessment.
- 6.22 **Proportionate to the funding ask, the option’s analysis could have been more detailed in its conclusions. Whilst the wider benefits are associated to the Centre’s contribution and not the investment.**
- 6.23 Similar to the strategic case, it is difficult to independently gauge the economic impact of the investment as there is little information as to how the 80+ jobs were estimated and what proportion, if any, were primarily the result of the investment.

A Green Book Standard economic case, from options analysis to sensitivity testing, would enable a more comprehensive assessment of the economic case for investment.

Economic Case – Addendum

- 6.24 The Applicant does not build on the full business case submitted and repeats figures presented previously. No Reference Case is established, and the impacts presented reflect the Centre as a whole, rather than the step-change provided by those elements that are deliverable with this investment. The Applicant states the reason for this is **“because the immersive audio element... is intrinsic to the success of the Centre as a whole”**

Independent Assessor Comments

- 6.25 The previous set of Independent Assessor comments and concerns on the Economic case remain unaddressed. As a result, we are unable to assess the economic impact of the LGF investment.

Commercial Case

- 6.26 The applicant has explored a number of other sound systems and installers in its procurement strategy and possesses a strict and robust procurement policy. **Furthermore, “when making bulk hardware purchases they always compare suppliers and seek best value prices”. A previous procurement example was provided whereby three competitive quotes were requested and four rounds of quoting were conducted before a final price was agreed.**

Independent Assessor Comments

- 6.27 Proportionate of the funding ask and its unique nature, overall, the commercial case, particularly around the systems and governance in place to ensure value for money, is considered strong. The key issue of the section is measuring the commercial viability of the sound system and equipment. Like the economic case, it is difficult to gauge its profitability which would involve estimating the contribution of the equipment and facility improvement to **the Centre’s finances.**

An improved commercial case would identify and isolate the commercial viability of the **investment from that of the Centre’s.**

Financial Case

- 6.28 The total cost of the investment is £502,107. This was estimated through a very detailed cost plan, with a contingency fund of 5% or £10,700. The applicant is requesting £288,073 (57%) from BTVLEP. This will match the already secured £214,034 capital funding NFTS possess from the Arts and Humanities Research Council (AHRC) and Industrial Strategy Challenge Fund.
- 6.29 The procurement of the goods and services will be completed in 2019.
- 6.30 The NFTS and its partners successfully bid for £5m over three years from the AHRC/Industrial Strategy Challenge Fund to establish the National Centre for Immersive Storytelling. The match funding from the BTVLEP would supplement the capital expenditure element.

Independent Assessor Comments

- 6.31 The financial case presented by the applicant is considered robust. Match funding has been secured and planned expenditure detailed out. A sufficiently sized contingency fund is to be set aside.
- 6.32 **The case would benefit from detailing how match funding would impact the Centre’s balance sheet, or in this case, the £5m secure from the Challenge Fund.**
- 6.33 There is no mention of whether the investment complies with state aid.

Proportionate to its ask, the financial case was suitable and well detailed however it would have benefitted from including analysis of expenditure **on the applicant’s balance sheet.**

Financial Case – Addendum

- 6.34 It is stated that without this funding from the BTVLEP, NFTS would not be able to upgrade the sound system in their cinema or be able to procure the additional equipment detailed in the bid.
- 6.35 The cost figures included in the document are based on quotes received from trusted suppliers and have been re-quoted since the Business Case showing robustness.
- 6.36 The **Applicant's balance sheet shows net assets as at 31 July 2018 (most recent published financial statements) totalling £11.92m. The match-funded investment would increase the School's net assets by 2.4%. The investment does not have a material impact on the financial position of the School.**

Independent Assessor Comments

- 6.37 The original financial case was already strong. Addendum commentary only serves to emphasise and provide further confidence of the deliverability of the investment.
- 6.38 Project costs have been reviewed and stand, reducing the impact and risk of under- or over-estimation of cost. Whereas it is clear the match funding is unlikely to have any detrimental **impacts to the applicant's balance sheets.**
- 6.39 There is no mention of clawback of invested funds and the project is unlikely to be able to provide funding repayments.

Management Case

- 6.40 The project is stated as being **“straightforward” and only involves the procurement and installation of hardware over a short time.**
- 6.41 A detailed and realistic project plan highlight key milestones is to be managed by the Director of Operations.
- 6.42 The Applicant provides examples of relevant experience in delivering large capital projects, including the opening of two new buildings.

Independent Assessor Comments

- 6.43 Considering the nature of the ask, the management and governance is considered in place for effective delivery.
- 6.44 A benefit realisation plan and monitoring and evaluation plan were not included in the management case. Though it is not clear where and how this would be applicable for this project.

Management Case – Addendum

- 6.45 The Applicant confirms resources and capacity are available to deliver the project in a timely manner and spending to be completed by March 2021, with plans for the work to be completed by June 2019.
- 6.46 As for previous experience in delivering similar projects, it is stated the NFTS has successfully delivered a number of major capital expenditure schemes in recent years, including the building of two new buildings on the Beaconsfield Campus as part of the multi-million pound **'Digital Village' project.**

Independent Assessor Comments

- 6.47 A strength of the application has always been its financial and management case and this remains the case.
- 6.48 The reassurance on resources, timelines, and project experience provide confidence the management is in place to deliver the proposed project.

Conclusions

Conclusions

- 6.49 One of the key issues with the Full Business Case submitted is that it did not adequately establish a suitable Reference Case against which to assess the impact of the proposed investment. This created significant challenges in assessing elements of the strategic, economic and commercial cases. Many of the arguments and evidence presented are considered to be reflective of the Centre as a whole, as opposed to the additional investment. This meant gauging the value added, commercial viability, and deliverability of the surround sound system and equipment was difficult.
- 6.50 In addition, the strategic case was considered to offer a relatively limited case for change and evidence of need. Given of the size of the funding ask, and its unique nature, the simple but effective financial and management case presented were considered sufficient and provides confidence that deliverability is unlikely to be an issue.

Areas for Improvement

- 6.51 Prior to any funding award, the Assessor recommends that BTVLEP seek additional information from the Applicant in the following areas:
- Establish a reference case from which to judge each case by.
 - Re-submission of the strategic case, preferably framed around a logic chain, to establish the intervention logic and deliver a convincing case for change.
- 6.52 Although not critical to the assessment of whether funds should be released, the Assessor recommends that the case for funding would be strengthened with:
- Re-submission of the economic case, following Green Book guidance.

7. Summary and Conclusions

7.1 This section of the report summarises the outcomes of the final appraisal process and provides information with which to rank the schemes in relation to strategic alignment, economic contribution, financial requirements, and deliverability.

Summary

7.2 The five submitted funding bids have the following financial characteristics:

- Combined total funding ask = £8,558,073
- Individual funding asks, in increasing order of value:
 - £ 275,000 (Life Sciences Innovation Centre)
 - £ 288,073 (National Centre for Immersive Storytelling)
 - £ 1,645,000 (Buckinghamshire Creates @ Pinewood)
 - £ 2,000,000 (School of Computing and Centre for Artificial Intelligence)
 - £ 2,175,000 (Medical Education Centre)
- Individual private sector leverage rates in reducing order of magnitude:
 - 66% (School of Computing and Centre for Artificial Intelligence)
 - 50% (Medical Education Centre)
 - 43% (National Centre for Immersive Storytelling)
 - 16.5% (Life Sciences Innovation Centre)*
 - 9.7% (Buckinghamshire Creates @ Pinewood)*#

*Leverage proportion may change following answers to clarification questions

This value excludes in-kind contributions within the submission

7.3 Only two of the five bids are considered to possess 50% or over private sector leverage as part of the match funding.

7.4 A number of the schemes are required to secure funding through loans or raising of bonds and additional information should be sought to ascertain surety that this funding will be secured within the timeframes available for project delivery.

7.5 The comparative assessment of value for money from each individual assessment was challenging as no submission submitted a Green Book standard economic case. However, from **the Assessor's judgement and experience each in turn are likely to** offer good value for money.

7.6 Deliverability is a key issue for the LEP and whilst all of the schemes set out a programme to deliver their projects within the required timeframes, further assurance should be sought to assess the robustness of the project plans.

7.7 The assessment of each of the Full Business Cases have been used to populate the scoring of the Summary Assessment Matrix in Appendix B. The conclusions presented below are based on the combination of individual assessments and, ultimately, the scoring matrix.

Conclusions

- 7.8 Having reviewed each of the five submissions individually, and reflected their scores in the appended scoring matrix, Hatch Regeneris have identified the following conclusions relating to how each scheme meets the overall appraisal criteria.

Bucks New University, Buckinghamshire Life Sciences Innovation Centre (BLIC)

- 7.9 Though a Full Business Case report was not submitted, our independent appraisal considers the information provided is, generally, proportionate to the funding ask. Strategically, the Innovation Centre offers strong alignment locally, regionally and nationally, and could, potentially, generate wider economic benefits.
- 7.10 A detailed Economic Case was not submitted; however, our independent assessment considers the potential economies of scales offered by the project, and the subsequent low funding ask, is likely to deliver a reasonably high Benefit Cost Ratio.
- 7.11 A core weakness of the application is its Financial Case. The *funding ask, costed items, and match funding lack robustness* and continues to require clarification, including the long-term financial and commercial viability.
- 7.12 **The bid's Commercial and Management Cases are considered to lack detail.** The inference is that the scheme is an extension to the larger Innovation Centre project and can make use of existing commercial and project management systems that are already in place. The practical evidence to support this approach is limited.

London Medical Education Academy (LMEA), Medical Education Centre for Surgical Skills

- 7.13 This bid provides a strong Strategic and Commercial Case based around the need and demand for the development of a lab and cadaver storage space for surgical skills training. The project shows good policy alignment, though the submission could benefit from reference to regional and national policy.
- 7.14 While a detailed Economic Case has not been provided, our independent assessment of the benefits presented demonstrates that the scheme has the potential to make a significant economic contribution through improved practitioner training and patient outcomes, avoided litigation costs, as well as direct job creation.
- 7.15 The business case has well considered Financial and Management Cases. While there is *limited information relating to the mitigation of cost overruns*, the evidence relating to demand and income sources indicates strong revenue streams, and so risks are considered relatively low.
- 7.16 Some risk also remains around timely and cost-efficient procurement of land and property for this project. Market evidence to confirm that this risk is low would be beneficial.

Bucks New University – Buckinghamshire Creates @Pinewood

- 7.17 The Applicant has presented a well-rounded Full Business Case submission. The Strategic Case shows good alignment to both local, LEP, and national policy. The case for change is considered convincing and good evidence of demand for the scheme has been demonstrated, though more information on the latter would still improve the case.
- 7.18 Though a full Green Book standard Economic Case was not submitted, our independent assessment considers the economic impact of the project to be large and likely to represent good value for money from investment.

- 7.19 The Financial Case includes a detailed finance model that suggests strong self-sustainability and potential clawback of funding. However, it is strongly recommended further clarifications are sought around the robustness of cost items, the grounds for inclusion of certain items within costings, and the overall level of the funding ask. There is reason to conclude that the overall leverage of the project, in terms of new private sector investment, is relatively low, and that *the LGF funding ask could be reduced*.
- 7.20 The Commercial and Management cases broadly demonstrate the necessary detail to provide sufficient confidence the project would be delivered in a timely, cost effective, and efficient manner.

University of Buckingham – School of Computing and Centre for AI

- 7.21 **This bid proposes to transform the University of Buckingham’s approach to artificial intelligence, digital and analytical skills and immersive technologies with the creation of new centres for training and applied research within the School of Computing.**
- 7.22 The project shows strong policy alignment, particularly in relation to LEP priorities, but there were some limitations in the way the submission presents i) a *clear need and rationale for public intervention*, and ii) a detailed description of what is being proposed, in terms of the physical facility and the activities within it.
- 7.23 While a well-considered Management Case has been established, and the potential economic impacts could be reasonably high, the business case submission would have benefited from the establishment of a clear logic chain from the case for public intervention to the ways in which the proposed project will operate and respond to market issues.

National Film and Television School (NFTS) – The National Centre for Immersive Storytelling

- 7.24 The bid was for a relatively modest funding ask and was considered to offer a potentially strong Strategic Case. It offers particularly strong alignment to LEP priorities but the evidence around the ‘**case for change**’ and ‘**evidence of need**’ **could be significantly improved**.
- 7.25 A key issue is the *identification of suitable Reference Case* against which to assess the Strategic and Economic Cases. Specifically, the Applicant was requested to isolate the impact of the LGF investment from the existing Centre activities and so enable an understanding of the specific value that the LGF investment could add over-and-above **the existing “do-nothing” scenario**.
- 7.26 The direct case for investment in a new sound system and IT equipment was not well set out in the submission, rather the business case focused upon the overall benefits for the Centre without disassociating and isolating the contributions and impacts of the sound system and equipment. It is, therefore, challenging to determine the specific impact that the investment will achieve in terms of additionality e.g. the increased number of students to the Centre, and the additional income generated.
- 7.27 A strength of the application are the financial and management cases with sufficient information presented to confirm the deliverability of the project within the required timeframes of the LGF3 funding.
- 7.28 Overall, this is likely to be a good scheme to invest in, and is deliverable, but it is challenging to quantify the absolute benefits and, hence, to determine the value for money from investment.

Appendix A - Assessment Framework

BTVLEP Business & Skills Capital Grant Funding Appraisal Criteria					
The Strategic Case					
Rationale for public funding	Are there clear market failure arguments underpinning the project? Is there a current commercial funding gap? Is there a need for intervention?	Clear rationale for intervention	Limited rationale for intervention	No rationale for intervention	
Alignment with BTVLEP priorities and objectives	<p>Do the project objectives show clear alignment with one or more of the following BTVLEP priorities and objectives?</p> <ul style="list-style-type: none"> • Business and skills support and enhancement • Development of innovation and research in Bucks • Priority sector alignment: creative film & TV, life sciences, agri-food, space propulsion and high performance technologies, as well as other technology propositions demonstrating strategic alignment 	Clear fit with BTVLEP objectives	Limited fit with BTVLEP objectives	No fit with BTVLEP objectives	
Alignment with national and regional policy	Does the project show clear alignment with national and regional policy, such as reference to the foundations and challenges of the Industrial Strategy?	Clear fit with wider public policy objectives	Limited fit with wider public policy objectives	No fit with wider public policy objectives	
Interdependencies	Has there been consideration of how the project relies on other projects coming forward?		Consideration given	No consideration given	
The Economic Case					
Options analysis	Has a reasonable range of options been considered? Have larger/smaller scale options and any other obvious alternatives to achieving the desired objectives been reasonably ruled out?	Yes, with consideration of costs	Limited	No	

Economic impact and value for money	What are the direct and indirect economic impacts anticipated? What is the scale of overall impact? Are there any impacts that have not been considered by the applicant? Judgement should be used in assessing against this criterion, with consideration for accuracy of method (eg. sensitivity analysis, scale of impacts, allowance for optimism bias etc) and reasonableness of final result/BCR. If the method is deemed inappropriate, a lower ranked box can be chosen.	Strong positive impact, no negative impacts (BCR ≥ 2)	Slight to moderate positive impact (BCR > 1)	No impact or neutral impact (BCR = 1)	Negative impact (BCR < 1)
Wider economic benefits	Does the project have wider economic benefits, such as distributional impacts? Does the project deliver on business support and skills & capacity outcomes?	Strong positive impact, no negative impacts	Slight to moderate positive impact	No impact or neutral impact	Negative impact
The Commercial Case					
Feasibility and deliverability	Is the project commercially feasible/deliverable? Where demand is crucial to the success of the project, is there identified demand from specific users or occupiers?	Strong evidence of commercial feasibility	Some evidence of commercial feasibility	No evidence of commercial feasibility	
Procurement processes	Has the applicant demonstrated that they have considered the best possible procurement process?	Good consideration of procurement processes	Some consideration of procurement processes	No consideration to procurement processes	
Risk assessment & mitigation	Has a reasonable assessment of risks been undertaken? Have identified risks been managed and allocated to appropriate parties? Is there a risk allocation table?	Reasonable assessment, allocation and mitigation of risks	Some assessment, allocation and mitigation of risks	Little to no consideration of risks to project success	
The Financial Case					
Costs	Is there a clear rationale behind cost estimates? Have they been calculated using a reliable method? Has a reasonable breakdown and logic been provided? Are there contingencies around cost?	Clear rationale behind cost estimates	Limited rationale behind cost estimates	No rationale for cost estimates	

Funding	Is the project affordable? Is full budget funding secured and budgeted by all parties? Does the financial case identify and fill any funding gaps? Are the sources of funding secure? Is there consideration of funding contingencies?	Clear evidence of affordability and funding security	Limited evidence of affordability and funding security	No evidence of affordability and funding security
Leverage	Is any match funding being provided? Is this funding secure? How does this compare to investment sought from BTVLEP?	Match funding over 50% of total project cost	Match funding secured	No match funding secured
Overruns and guarantees	Are potential cost overruns provided for? Are there any guarantees?	Clear provisions for cost overruns	Limited provisions for cost overruns	No provisions
Recuperation of funding	Has the applicant indicated that funding can be wholly or partially recuperated by BTVLEP at a later stage?	Commitment to full return of funds	Commitment to partial return of funds or some level of uncertainty in capacity to recuperate	No commitment
State Aid	Is there consideration of State Aid related risk? Dark green box to be marked if deemed irrelevant by Assessor.	Consideration and appropriate response to SA related risk	Some consideration or insufficient response to SA related risk	No consideration of State Aid related risk
The Management Case				
Project delivery and timelines	Has an appropriate delivery plan been provided? As a minimum, this should set out governance and management structure, reporting arrangements, the respective roles of delivery partners, milestones and a clear timetable for delivery. Has a contract management plan been developed?	Clear and detailed project delivery plan	Broad or limited project delivery plan	Insufficient evidence of project delivery planning

			with some gaps	
Risk management	Have the key risks to delivery been identified, and mitigating actions listed? Is the impact and likelihood well considered?	Reasonable assessment of risks and appropriate mitigation Good consideration for and clear commitment to other actions	Some assessment of risks and mitigating actions	Little to no consideration of risks to delivery
Benefit realisation plan	Has the applicant considered its role or other actions in realising anticipated benefits?	Reasonable assessment of risks and appropriate mitigation Good consideration for and clear commitment to other actions	Some assessment of risks and mitigating actions	No consideration for other actions
Monitoring and evaluation	Have provisions been made for evaluation of the effects of the project after its implementation? Have the costs of monitoring and evaluation been considered in the Economic and Financial Cases?	Yes, with consideration of costs	Yes, to a limited degree	No

Appendix B - Summary Assessment Matrix

Criteria	Buckinghamshire Life Sciences Innovation Centre	Medical Education Centre for Surgical Skills	Buckinghamshire Creates @ Pinewood	School of Computing and Centre for AI	The National Centre for Immersive Storytelling
The Strategic Case					
Rationale for public funding	Clear rationale for intervention	Clear rationale for intervention	Clear rationale for intervention	Limited rationale for intervention presented	Limited rationale for intervention presented
Alignment with BTVLEP priorities and objectives	Clear fit with BTVLEP objectives	Clear fit with BTVLEP objectives	Clear fit with BTVLEP objectives	Clear fit with BTVLEP objectives	Clear fit with BTVLEP objectives
Alignment with national and regional policy	Clear fit with wider public policy objectives	Clear fit with wider public policy objectives			
Interdependencies	No consideration given	Consideration given	Consideration given	No consideration given	No consideration given
The Economic Case					
Options analysis	No options analysis presented	Limited	Limited	No options analysis presented	No options analysis presented
Economic impact and value for money	N/A	N/A	N/A	N/A	N/A
Economic impact and value for money (assessor's judgement)	Strong positive impact, no negative impacts (strong probability of $BCR \geq 2$)	Strong positive impact, no negative impacts (strong probability of $BCR \geq 2$)	Strong positive impact, no negative impacts (strong probability of $BCR \geq 2$)	Strong positive impact, no negative impacts (strong probability of $BCR \geq 2$)	Insufficient information presented by application to estimate
Wider economic benefits	Slight to moderate positive impact	Strong positive impact, no negative impacts	Slight to moderate positive impact	Strong positive impact, no negative impacts	Slight to moderate positive impact
The Commercial Case					
Feasibility and deliverability	Some evidence of commercial feasibility	Strong evidence of commercial feasibility	Strong evidence of commercial feasibility	Strong evidence of commercial feasibility	No evidence presented of commercial feasibility
Procurement processes	Some consideration of procurement processes	Good consideration of procurement processes	Good consideration of procurement processes	Some consideration of procurement processes	Good consideration of procurement processes

Independent Assessor's Report

Risk assessment & mitigation	Little to no consideration of risks to project success	Reasonable assessment, allocation and mitigation of risks	Reasonable assessment, allocation and mitigation of risks	Reasonable assessment, allocation and mitigation of risks	Reasonable assessment, allocation and mitigation of risks
The Financial Case					
Costs	Limited rationale behind cost estimates	Clear rationale behind cost estimates	Limited rationale behind cost estimates	Limited rationale behind cost estimates	Clear rationale behind cost estimates
Funding	Limited evidence of affordability and funding security	Clear evidence of affordability and funding security	Limited evidence of affordability and funding security	Limited evidence of affordability and funding security	Clear evidence of affordability and funding security
Leverage	Match funding secured	50% from applicant (29% as borrowed capital)	Match funding secured but most 'in-kind'	66% from applicant (through bond)	Match funding secured
Overruns and guarantees	Limited provisions for cost overruns	Limited provisions for cost overruns	Limited provisions for cost overruns	Clear provisions for cost overruns	Clear provisions for cost overruns
State Aid	Consideration and appropriate response to SA related risk	Consideration and appropriate response to SA related risk	Consideration and appropriate response to SA related risk	Consideration and appropriate response to SA related risk	No consideration of State Aid related risk
The Management Case					
Project delivery and timelines	Broad or limited project delivery plan with some gaps	Clear and detailed project delivery plan	Clear and detailed project delivery plan	Clear and detailed project delivery plan	Clear and detailed project delivery plan
Risk management	Some assessment of risks and mitigating actions	Reasonable assessment of risks and appropriate mitigation	Reasonable assessment of risks and appropriate mitigation	Reasonable assessment of risks and appropriate mitigation	Reasonable assessment of risks and appropriate mitigation
Benefit realisation plan	No consideration for other actions	Good consideration for and clear commitment to other actions	Some consideration for other actions	Good consideration for and clear commitment to other actions	No consideration for other actions
Monitoring and evaluation	No	Yes, to a limited degree	Yes, to a limited degree	Yes, with consideration of costs	No

Appendix C - Outputs Summary

Output	Definition	Buckinghamshire Life Sciences Innovation Centre	Medical Education Centre for Surgical Skills	Buckinghamshire Creates @ Pinewood	The National Centre for Immersive Storytelling	School of Computing and Centre for AI
Employment						
Jobs created / safeguarded	The total number of newly created and safeguarded permanent full-time equivalent jobs as a direct result of the intervention at predetermined employment sites. Employment sites include occupied newly developed commercial premises, the premises of supported enterprises, and any FE space directly improved or constructed by the intervention. Created and safeguarded jobs exclude those created solely to deliver the intervention (e.g. construction). A job is deemed as permanent if it lasts at least a year.	Unknown	54-56	33	Unknown	27.5
Apprenticeships	Number of apprenticeship positions created as a direct result of the intervention.	Unknown	0	Unknown	Unknown	Unknown
Skills and Education						

Output	Definition	Buckinghamshire Life Sciences Innovation Centre	Medical Education Centre for Surgical Skills	Buckinghamshire Creates @ Pinewood	The National Centre for Immersive Storytelling	School of Computing and Centre for AI
Area of new or improved learning / training floorspace (m2)	<p>The amount of "new build" training/learning floor space constructed. Figures to be provided following completion.</p> <p>The amount of training/learning floor space refurbished to improve building condition and/or fitness for purpose. For FE. Colleges, this should be by estate grading. Figures to be provided following completion.</p>	0	Unknown	316	0	1,500 sqm (total bldg footprint)
Prior Estate Grade	Condition graded by surveyor – A, B, C, D	Unknown	Unknown	Unknown	Unknown	Unknown
Post Completion Estate Grade	Condition graded by surveyor – A, B, C, D	Unknown	Unknown	Unknown	Unknown	Unknown
Floorspace rationalisation (m2)	The amount of overall floorspace reduced following completion of the project through, for example, demolition or disposal. Figures to be provided following completion.	0	Unknown	0	0	Unknown
Number of New Learners Assisted (in courses leading to a full qualification)	The number of new learners assisted as a direct result of the intervention, in courses leading to a full qualification.	0	Unknown (no. of classes estimated but annual student nos. not given)	1435	Unknown	385 (not clear if this is net additional as result of project)

Output	Definition	Buckinghamshire Life Sciences Innovation Centre	Medical Education Centre for Surgical Skills	Buckinghamshire Creates @ Pinewood	The National Centre for Immersive Storytelling	School of Computing and Centre for AI
Specialist Capital Equipment	Type of new specialist equipment - Specialist equipment: Resources specific to a particular sector or industry, and which are required in connection with that sector or industry's production of goods and services. These resources will usually comprise specific mechanical devices, but may include bespoke software, or a combination. Includes resources used to produce goods and services, as well as training resources unique to the industry (e.g. simulators). Does NOT include general equipment, IT infrastructure or resources used for several curriculum areas.	None	Freezers and other equipment (not specified)	Unknown	<ul style="list-style-type: none"> - Dobby Atmos Surround Sound System - Immersive Technology (VR, AR, etc...) - Cameras - Computers 	Unknown
Other Capital Equipment	Non-specialist capital equipment (see above).	<ul style="list-style-type: none"> - Furniture and fittings - IT, telephony, photocopies and overhead projectors 	Other equipment (not specified)	Other equipment (not specified)	No	Unknown
Commercial						

Independent Assessor's Report

Output	Definition	Buckinghamshire Life Sciences Innovation Centre	Medical Education Centre for Surgical Skills	Buckinghamshire Creates @ Pinewood	The National Centre for Immersive Storytelling	School of Computing and Centre for AI
Commercial Floor Space Completed	At the impact site, the area and class of commercial floor space completed. Floor areas should be measured in accordance with the RICS Code of measuring practice (6th edition) 2007. A building should be classified as completed once it is on the non-domestic rating list (sqm).	0	Unknown	0	0	Unknown
Commercial Floor Space Refurbished	At the impact site, the area and class of refurbished commercial floor space. Floor areas should be measured in accordance with the RICS Code of measuring practice (6th edition) 2007 (sqm).	167	Unknown	316	482	Unknown
Commercial Floor Space Occupied	At the impact site, the area and class of commercial floor space constructed/refurbished that is currently occupied by commercial tenants this quarter (sqm).	0	Unknown	Unknown	Unknown	Unknown
Commercial Broadband Access	For broadband interventions only: number of additional commercial premises that, as a result of intervention, now have the option to access broadband of at least 30mbps (average), where this was not previously the case (this quarter) (sqm).	Unknown	Unknown	Unknown	Unknown	Unknown
Business and Enterprise						

Independent Assessor's Report

Output	Definition	Buckinghamshire Life Sciences Innovation Centre	Medical Education Centre for Surgical Skills	Buckinghamshire Creates @ Pinewood	The National Centre for Immersive Storytelling	School of Computing and Centre for AI
Number of enterprises receiving grant support	Number of SMEs receiving grant funding support with the intention of improving performance (i.e. reduce costs, increase turnover/profit, innovation, exporting). To be counted where the support is at least £1,000.	0	0	0	0	0
No Number of enterprises receiving financial support other than grants	Number of SMEs receiving funding support in the form of equity or repayable loan instruments with the intention of improving performance (i.e. reduce costs, increase turnover/profit, innovation, exporting). Counted where amount of support is at least £1,000.	0	0	0	0	Unknown
Number of enterprises receiving non financial support	Number of SMEs receiving support (inc. advice and training) with the intention of improving performance (i.e. reduce costs, increase turnover/profit, innovation, exporting). Value of the support should be a minimum of £1,000, calculated at Gross Grant Equivalent (see ERDF guidance) or a minimum of 2 days of consulting advice	26 (unclear)	0	0	0	Unknown



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