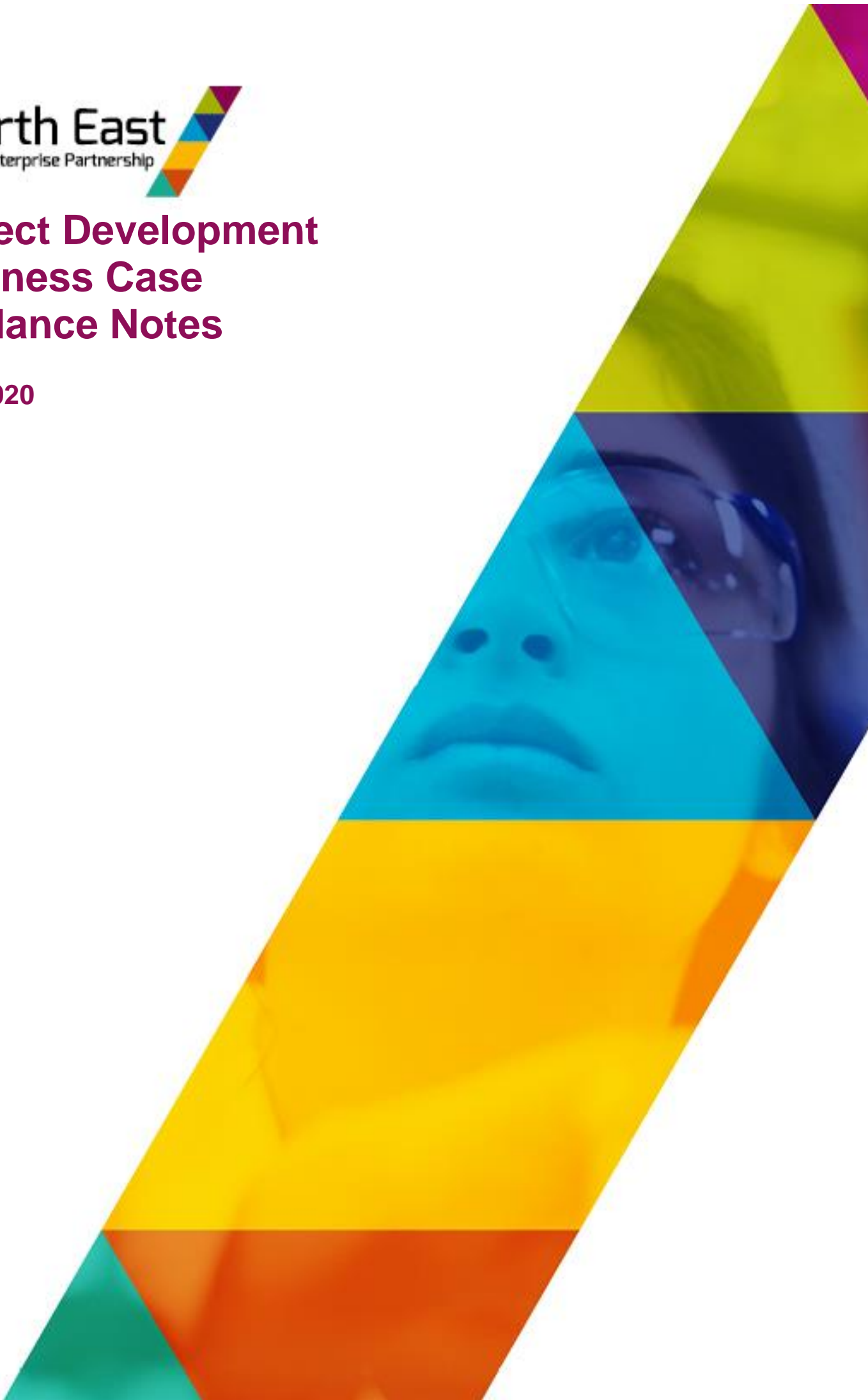


**North East**  
Local Enterprise Partnership



# **Project Development Business Case Guidance Notes**

**July 2020**



# North East LEP Project Development Business Case

**Please use this guidance to assist in the completion of the Project Development Business case, i.e. projects seeking development funding**

**Completion of the Project Development Business Case is required to enable appraisal of the proposal to be undertaken on behalf of the North East LEP.**

**The North East LEP reserves the right to reject projects at any stage where it is felt that they do not meet the project selection criteria.**

**You may find that it is not possible to fully answer some of the questions within the Project Development Business Case due to the current stage of your project. While this is accepted, you should look to answer all questions and also make it clear any answers where you intended the project development funding will be used to further develop a projects response.**

## 1. Project Information

**Project Name** – Please title your project with a short name i.e. no more than 25 characters, to assist with administration purpose. This is the project name that will be referenced throughout the application process.

**Applicant Organisation** - The organisation name that would be entering into the legal contract with the North East LEPs Accountable Body.

**Registered Address** - The registered address of the Applicant Organisation.

**Type of Organisation** - Category of the organisation; Public sector - Local Authority, Private Sector – limited company, University etc.

**Size of Company if Private** - ‘Small or Medium sized Enterprise (SME)’ means a micro, small or medium-sized enterprise as defined in Commission Recommendation No 2003/361/EC4 that:

- is engaged in an economic activity, irrespective of its legal form;
- employs fewer than 250 people (expressed in annual working units: ‘staff headcount’);
- has annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

Enterprise Category	Headcount: Annual Work Unit (AWU)	Annual Turnover	OR	Annual Balance Sheet Total
Medium	< 250	≤ €50 million	← Or →	≤ €43 million
Small	< 50	≤ €10 million	← Or →	≤ €10 million
Micro	< 10	≤ €2 million	← Or →	≤ €2 million

**Contact Person** - The person responsible for the submission of the Business Case, who will be contacted by the North East LEP should they require further information or clarification about your application.

**Position in the Organisation** – The role the Contact person fulfils in the organisation on a day to day basis.

## **2. Project Executive Summary**

**2.1 Funding Summary** - Please insert the total amount of North East LEP funding applied; also include other contributions from banks or other funding sources to contribute to the Total Project Cost.

**2.2 Project Summary Description** – In no more than 2 sentences please summarise the project purpose.

**2.3 Project Dates** – Include project dates including Start date, Practical completion (when the project development work will be completed) and Financial completion. Where applicable allow for retention periods.

## **3. Strategic Case**

### **3.1 Strategic context**

Summarise the strategic external drivers for this investment, with particular reference to the aims of the North East Strategic Economic Plan and evidence base, relevant local authority spatial and economic plans and any relevant Government policies and programmes. These should align to the North East LEP objectives and priorities detailed in the North East LEP SEP document which can be found on the link here [SEP](#)

Where projects have come through a specific 'call for projects' you should additionally highlight and refer to how the project meets the strategic policy context of that project call.

**3.2 Applicant Organisation's Business Investment Plans** - Explain how this project will contribute and complement your own organisations strategic and operational plans and performance. For example, how this funding may assist in your company's growth or allow you to engage in wider markets. State whether this replaces any existing assets.

**3.3 The Case for Change** – Please provide the rationale as to why the project is required now, include background context, issues it may address and investment opportunities. What is the demand for the project now and in the future? What market intelligence have you based this on? What are information gaps will this project development phase address? Please include in Annex I any supporting documentation including, where applicable, a study brief.

**3.4 Aims of the Project and SMART objectives of the project** – Please include the immediate objectives of the development study and if implemented, the indicative follow on forecast benefits e.g. in output, efficiencies, reduced operational costs, improve services to / access more customers. Expand table as necessary. Please ensure these are Specific Measurable, Achievable, Realistic and Time bound.

**3.5 Who will benefit** – In 3.2 you have set out benefits to your organisation, here you should set out who else would benefit e.g. any joint venture partners, supply chain and wider society or communities.

**3.7 Project constraints** – Please include any project risk, dependencies and constraints that may impact on this phase of the project along with the risk cost allowance. Complete Annex C – Project Plan & Annex D – Risk Register in the Business Case. It is important that the risk template is completed by applicants to show that due consideration has been given to the risks applicable to the project through its delivery cycle. Please include both continuous risks that will be present at project start and possibly throughout the lifespan of the project. By detailing all issues, it gives further confidence that risks are being considered seriously and will be continuously mitigated throughout the project life cycle.

The strength of the Risk Register can demonstrate that a robust business case has been put in place with considered contingencies.

## **4. Economic Case**

### **4.1 Options analysis**

At this phase, we are seeking a light touch assessment of what other options have been considered and rejected in determining the preferred approach to this development study. We want to understand why this is the best approach? Often the reference case – without funds from the North East LEP- will be to ‘do nothing’ or to undertake less research due to limited funds. In addition, to the reference case, offer at least one alternative plausible option and why this was not the preferred option.

Please use Table 1 to indicate how each of the options performs and contributes to each of the project objectives outlined in the strategic case (section 3.4).

Tables 2-4 should be used to outline the details of project options analysis.

**4.3 – Potential Economic Impact** – Best you can at this phase, please provide information relating to the scale of potential ‘downstream’ economic benefits of the project should it be implemented as currently envisaged (and complete annex B). Explain the assumptions used to arrive at these estimated targets.

## **5. Commercial Case**

**5.1 Procurement Plan** - This should set out the planning and management of the procurement processes and cover all goods and services that will be procured from the total budget. It requires the applicant to set how the project activities/activity will be procured competitively, in accordance with both European Union (EU) and World Trade Organisation (WTO) rules and the current regulations. Include who will take overall responsibility of the procurement and what the scoring and selection criteria will include. How will the procurement opportunity be advertised and what form of contract will be used once the appointment is in place.

**5.2 Tenders received** – If the tenders have already been received for the project please explain how the supplier has been identified and append a tender summary report to the business case submission.

**5.3 Appraisal team** - Identify who has been involved in the appraisal and the appointment of the contractor. Identify specific roles and responsibilities of the team and the rationale as to why they were included on the procurement team stating the specific skills that were utilised

**5.4 Track record of managing public funds** – Provide details of any public funding awards the organisation has received and describe the processes that will be used to ensure any grant award is managed appropriately. You should also provide details of any public funding already awarded to the project specifically

**5.5 Potential funding sources for ‘full project’** – Outline your current plans on the potential funding that will be obtained following the project development stage – i.e. how do you currently see the project being funded once the development phase is completed? Is there a plausible funding strategy insight?

**5.6 What are the follow - on next steps after this phase of work is completed?**

Will this study result in a fully -de-risked project capable of being delivered or will there be a need for further e.g. investigations, regulatory consents or more detailed designs? When do you expect any further work to be undertaken? What’s the earliest date the project will be able to be delivered?

## **6. Financial Case**

**6.1 Financial breakdown** – Please complete Annex A and use this section of the form to provide breakdown costs funding for the project development phase. Annex A has embedded excel spreadsheets. Depending on your software, you may have problems completing these tables. If so, it is acceptable to append these tables separately.

**6.2 Cost estimates** – There is an expectation that the business case will be supported by the outcome of tendered costings and quotations. A tender summary should be provided. Where costs remain as estimates we need to understand who has provided these and what they are based on e.g. benchmarked against similar recent projects.

**6.3 North East LEP funding** – North East LEP funding being requested should be the minimum required and no more than £50,000. Your answer should build on information provided in the options appraisal section of the business case form (section 4)

**6.4 Match Funding** - Please state here all funding that is currently in place and any funding that is in the process of being sought. We would normally expect that matched funding is secured prior to the business case being submitted.

Clear evidence of support from all funding parties should be provided highlighting any onerous conditions that may impact on the project’s performance e.g. spend and claim deadlines or repayment terms.

Append letters confirming all funding is secured or statements from internal Chief Finance Officers of minutes from Council Cabinet meetings or Board approval (private sector).

If you have made any unsuccessful applications for match funding, please provide details including but not limited to; the amount, when the application was processed and why the application was unsuccessful. If any match funding remains outstanding, explain when this is this forecast to be confirmed and provide details.

**6.5 VAT** - If the question is answered in the positive please provide further information detailing why non-recoverable VAT is included within the project and how this may be minimised.

## **7. Management Case**

**7.1/7.2 Management Structure & Delivery Team** - Please provide clear and transparent structures detailing the roles and responsibilities for those who will be tasked with managing the phase of the project, including budgetary controls. Specifically, the section should include explanation of the management and delivery structure to be put in place to ensure effective management and control of the project. Describe who will take day to day responsibility for the project, who has overall responsibility, how the applicant organisation is structured and the associated accountability & reporting lines for this project.

In complicated projects provide an organisation structure chart (organogram), showing roles and responsibilities of people, partners and boards. Explain the individual and board roles and responsibilities as shown in the organogram. Describe how the project will be supported by any specialist expertise e.g. to ensure compliant public procurement processes.

The roles and responsibilities should be written out for key individuals and Boards. These will include:

- Named individuals fulfilling project roles
- Delegated authority
- Responsibilities
- Areas excluded from their role
- Decision making criteria
- (Boards Only) Frequency of meetings, and who has delegated authority for decisions between meetings (typically the chair)
- (Boards only) Reporting and information submitted to the Board to inform decision making
- (Individuals only) Reports and Information they are responsible for producing

This information might be best presented in a tabular format.

**7.3 Delivery Partners?** - If yes, please provide details on the Partner involved and their level of involvement. Where other delivery partners are involved, these must be included in the description of the overall management and delivery structure for the project. Explain why and how you have selected the delivery partner(s). Also include any financial contribution they are making in Annex F

**7.4 Delivery Milestones** – Set out the delivery milestones for this phase of the project highlighting dependencies and their impact on the project if not met. Also complete Annex B of the business case.

**7.5 Systems for management and reporting** - Details should be given on the governance of the progress management, what systems will be utilised to ensure that

regular monitoring is in place, including meetings to be held, regularity of these, how issues will be dealt with.

**7.6 Risk** – Who will be the ultimate risk owner responsible for managing and apportioning the project risks. How will the risks be identified, assessed and managed on a regular basis? Please complete Annex D

**7.7 State Aid** – The project appraisal process will include a formal assessment of potential State Aid implications. However, it is the responsibility of the Applicant to comply with the State Aid regulations which govern the receipt of Public Sector funding. State Aid restrictions may limit the financial support that can be provided by the state ('the state' in this case includes the North East LEPs as its funding is administered through the North East Combined Authority).

If your answer to all four of the following questions is "yes", your requested financial assistance is almost certainly State aid.

If some of your answers are "no" or if you are unsure, seek advice.

**1. Is the assistance granted by the state or through state resources?** In applying to the North East LEP for funding your answer will be 'yes'.

**2. Does the assistance give an advantage to one or more undertakings over others?**

An "undertaking" is any organisation engaged in economic activity. This is about activity rather than legal form, so non-profit organisations, charities and public bodies can all be undertakings, depending on the activities they are involved in.

An undertaking can also include operators and 'middlemen' if they benefit from the funding.

"Economic activity" means putting goods or services on a market. It is not necessary to make a profit to be engaged in economic activity: if others in the market offer the same good or service, it is an economic activity.

Support to an organisation engaged in a non-economic activity isn't State aid, e.g. support to individuals through the social security system is not state aid.

An "advantage" can take many forms: not just a grant, loan or tax break, but also use of a state asset for free or at less than market price. Essentially, it is something an undertaking could not get in the normal course of business.

Your answer to this question is very likely to be 'yes'.

**3. Does the assistance distort or have the potential to distort competition?**

If the assistance strengthens the recipient relative to its competitors, then the answer is likely to be "yes".

The "potential to distort competition" does not have to be substantial or significant: may include relatively small amounts of financial support to firms with modest market share.

**4. Does the assistance affect trade between Member States?**

The interpretation of this is broad: it is enough that a product or service is tradable between Member States, even if the recipient does not itself export to other EU Markets

*Following the decision by the UK Government to leave the European Union state aid laws will continue to remain in force until further notice and should be applied with at all times.*

Further guidance on State Aid can be found at [www.bis.gov.uk/policies/europe/state-aid](http://www.bis.gov.uk/policies/europe/state-aid)

The North East LEP European Commission registered scheme can be viewed [here](#).

**7.8 Approvals** – Please confirm the current status of the project in relation to internal Board approval. It is expected that all necessary internal approvals will be in place prior to the submission of the business case. If any approvals are outstanding, please include details - who is responsible for securing these, along with dates when these are to be expected.

**8.0 Other Supporting Information** - This is the final opportunity to provide any further information that you feel is significant to the project or the application for funding that has not yet been addressed in the previous sections.

Not completing this section will not be viewed as an omission, nor a negative against the application.

#### **Annex A – Financial Breakdown**

Income - Please complete to include all funding sources and how much you expect to receive each year from all funding sources.

Expenditure – Please complete to include all the expenditure under each heading for your project by year.

Please ensure the total expenditure figures p.a. are the same as the total income p.a.

#### **Annex B – Deliverables**

At the project study stage the deliverables will often be completion of a robust business plan or feasibility study. However, the follow- on benefits, should the project be subsequently implemented, should be estimated using relevant LGF programme output indicators. (**see table below**). These forecast benefits are indicative only.

Guidance on the calculation of permanent job outputs can be found at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/484133/employment\\_density\\_guide\\_3rd\\_edition.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf)

**EZ sites only** – please note that Enterprise Zone sites are monitored on a more limited selection of these outputs, whilst wider outputs are relevant for applications, site development should contribute to the overall delivery of EZ sites by supporting the jobs created, business start-up, land reclaimed and commercial floor space delivered or refurbished outputs ( Ref: 1,4,5,6,8).



Key Performance Indicators				
Ref.	Indicator name	Measuring	Description	Verified by
1	A) Gross Jobs connected to the intervention <b>a) on direct employment sites</b>	FTEs	Permanent paid full-time equivalent jobs that locate on an employment site or building that has been created or improved with LGF investment. Includes: - Employment in new incubation hubs or managed workspace (both operational management posts and posts in occupying businesses) - Employment in bespoke developments by companies developing serviced plots on employment sites - Employment in FE space - additional to that which previously existed.	Quarterly Data capture form signed by businesses confirming number of jobs in situ.  Detailed Job information to be reported <b>annually</b> i.e. type of jobs, skill and wage levels.
	B) Gross Jobs connected to the intervention <b>b) on 'Impact Sites'</b>	FTEs	These are sites that have not directly benefitted from LGF investment but where LGF investment has demonstrably helped unlock development sites and improved their competitiveness. Includes : - Off-site utility infrastructure investment - Off- site transport improvements that can plausibly improve the competitiveness of the site - Packaged land deals that enable associated sites to be developed.	As above but annual only. These sites may not be in direct control of the applicant. The applicant may need to seek voluntary co-operation of businesses / developers to collect information.
2	a) Direct Jobs Safeguarded	FTEs	An existing permanent job which is at risk of being lost at the time of the LGF intervention. At risk is defined as being forecast to be lost within 1 year had it not been for the intervention	Data capture from signed by business confirming number of jobs that would have been at risk of redundancy within 12 months.
	b) Indirect jobs safeguarded	FTEs	This is often not easy to define and difficult to evidence. Where an LGF intervention has removed risks / barriers to the performance of existing businesses that otherwise would potentially have lost jobs then this may be considered.	Projects are invited to make the case as appropriate. It is likely that this output will be evidenced by surveys.

5	a) Number of established businesses accommodated		Count of the number of businesses (all sizes) that are attracted to and locate on a direct employment site or an impact site. Information should be collected from the business on establishment / entry.	<b>Quarterly</b> reporting from Direct employment sites, <b>annually</b> from impact sites. Data capture form from incoming business. Record type of business, main trading activity (SIC), number of employees, date of formation, turnover, and previous address
	b) Number of new businesses trading from the North East LEP area accommodated		Record those businesses that are new to the North East LEP area either / or those : <ul style="list-style-type: none"> <li>- Moving in to the North East LEP area from outside – a relocation or new branch.</li> <li>- New businesses - trading for under 3 years from date of entry.</li> </ul>	From the above data capture forms.
7	Follow on investment at site	£, by source	For both direct employment and impact sites. Capture the amount of public, private or third sector investment following financial completion of the LGF project. Does not include in-kind contributions.	Annual reporting for both employment and impact sites. Use data capture sheet signed by developers / businesses / public authorities confirming how much has been invested in the previous 12 months
13	Number of enterprises supported to introduce new to the market products		The number of treated SMEs that successfully introduce a new-to-market product after assistance has been given. Product should be available for commercial purchase. Should be counted up to 3 years following support.	Data capture form
14	Number of enterprises supported to introduce new to the firm products		The number of treated SMEs that successfully introduce a new-to-firm product after assistance has been given. Product should be available for commercial purchase. Should be counted up to 3 years following support.	Data capture form

20	Number of apprenticeship/ traineeship opportunities created		Provide details on the level and number of opportunities created by course/subject	Annual Count in quarter when the position is filled.
21	Number of level 3 qualifications created		List or qualification title	Count when qualification has first student intake.
22	Number of higher education opportunities created		Record expansion in places in existing courses, number of new places on new courses delivered from sites that have benefitted from LGF.	Count when new places are filled. List of student courses. Count place once i.e. not annually.

### **Annex C Project plan delivery milestones**

**Key Milestones** – A Key Milestone is a date by which a significant event is either anticipated to happen or is required to happen to ensure there is no prolongation of the programme. Key Milestones are required to assist in monitoring the project performance and will be included in any funding agreement.

To make an investment the North East LEP wants to be sure that the project is deliverable within its timescales. Where the project has come through a 'project call' that may have specified target delivery timescales please set out how project milestones accordingly.

Project milestones may include –award of main contract, phased / staged completion, opening, repayment of finance etc.

### **Annex D – Risk**

Please complete the risk register. You should highlight any delivery risks and how these will be mitigated if possible and managed throughout the project lifecycle. Include also the cost impact on the project should the risk occur. Funding decisions will take account of identified delivery risks. Your risks should primarily focus on the project development phase; however you should include any known risks relating to the 'full' project

**Annex E Audited Financial Statement** – Please include the latest set of audited financial statement.

**Annex F Delivery Partners** - Please complete the form with details of your delivery partners. Please duplicate the form as necessary.

**Annex G Financial Standing** – please review this statement and sign when you are satisfied that you meet the requirement.

**Annex H Sign Off** – Please ensure that the appropriate person in your organisation signs the finalised form and you are satisfied it can be submitted.

**Annex I Supporting information** – Please complete the supporting information form to include any information you feel is relevant to your application.

## **Useful links**

### **1. UK Treasury Green Book**

This link provides a range of documents and information about the Treasury Green book business case. It is recommended that applicants make themselves aware of this information.

<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

### **2. Project Initiation Route Map – helpful guide for public and private sector infrastructure projects**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/528951/ipa\\_routemap\\_asset\\_management\\_module.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/528951/ipa_routemap_asset_management_module.pdf)