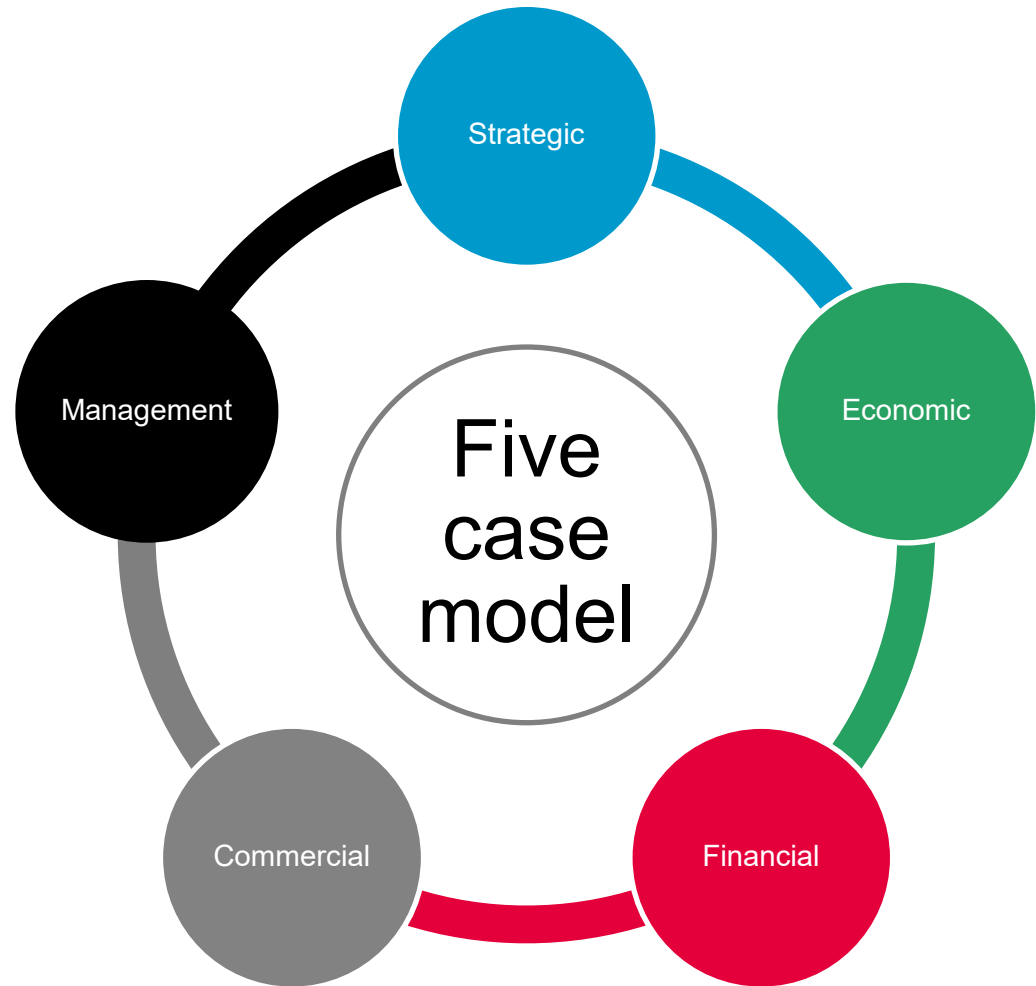


# Prompts for Developing the Commercial Case for small Grant Funded Projects

5 November 2021



# Introduction

## Workshop Context

Introduction to Business Cases webinar held in November 2020,

Business Case template and proportionality guide issued by TFDP

Business Case Week held in April 2021 setting out the requirements and best practice guidance for developing the 5 cases

Towns developing Business Cases and some Towns seeking guidance on how to develop Commercial Case for Grant Funded projects

## Workshop Objectives

Reflect on the requirements and best practice guidance

Draw out key principles for consideration in developing the case for grant funded projects

Consider how to apply the principles to Grant Funded projects

Share experiences and proposed approaches

Focus is on the Commercial and Management Cases

# Introduction

## Agenda

### Facilitator – Mark Jones

- authored the templates, proportionality and and best practice guides for the TF commercial and management cases
- over 30 years experience of planning and managing infrastructure projects including:
  - major procurements and third party agreements
  - developing commercial and management cases for major projects

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1. Business Case Recap

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2. Guiding Principles

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3. Application

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4. Case Study

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5. Discussion

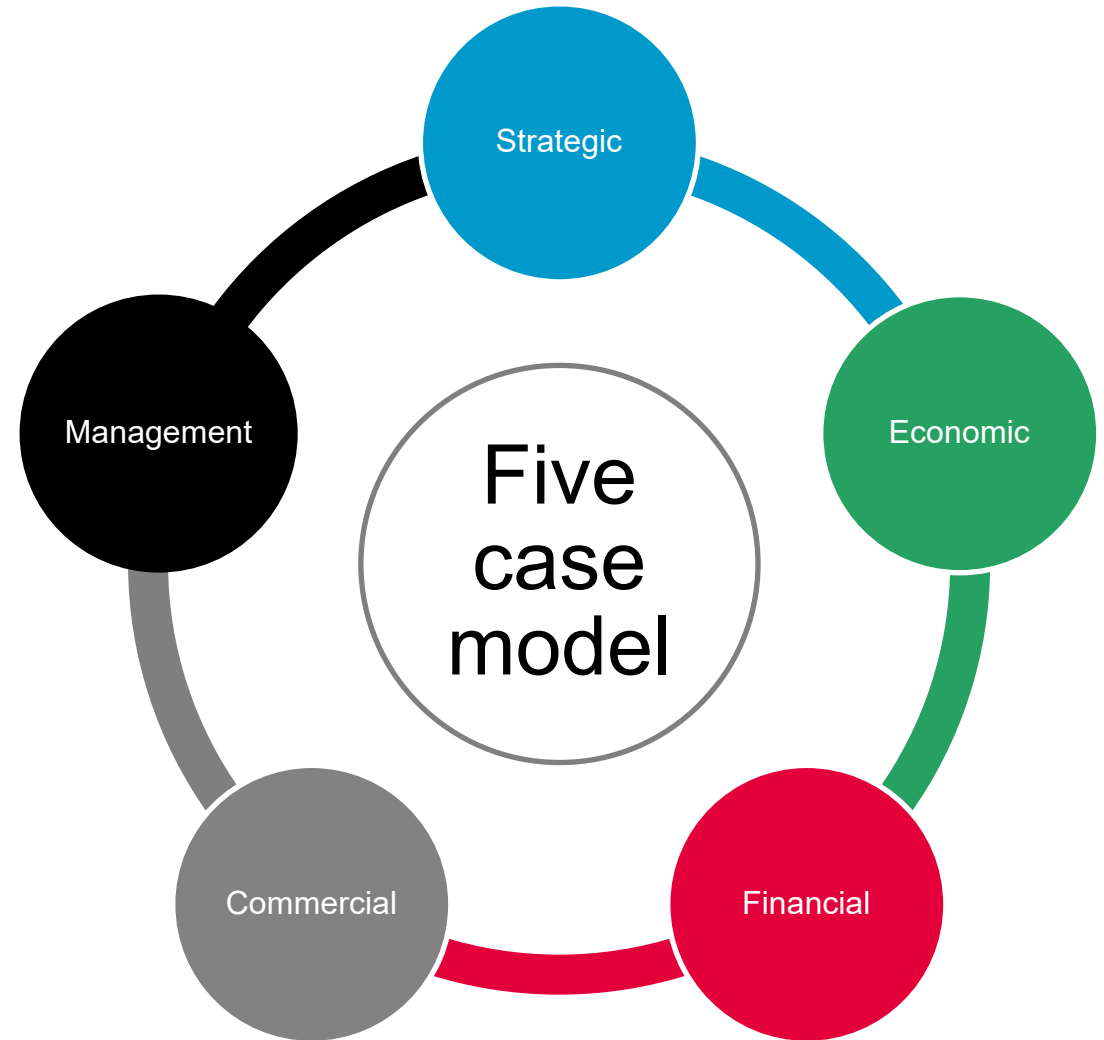
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# Business Case Recap

# Five Cases

- Strategic Case – rationale for the investment
- Economic Case – benefits and value for money
- Financial – funding the investment
- Commercial – framework for procurement and delivery of the investment
- Management – framework for ensuring delivery of outputs and benefits

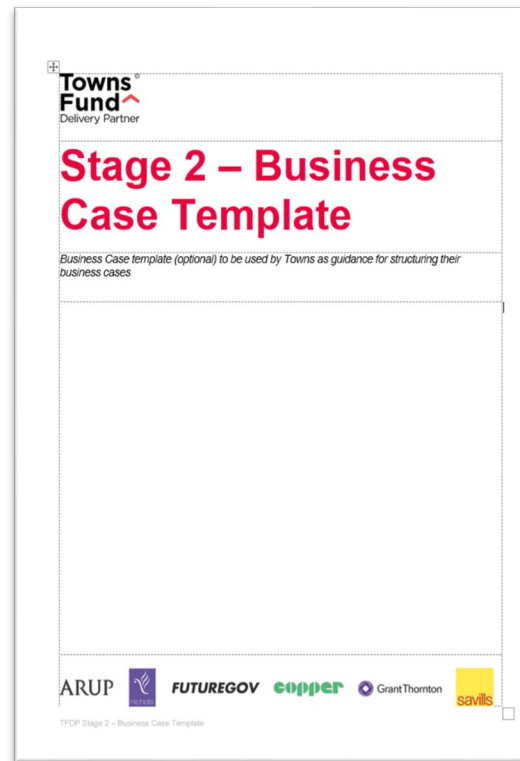
**Challenge:** How should Towns apply the guidance when the 'project' is a 'fund' for smaller projects and the solutions are unknown?



# TFDP Business Case Template

The optional TFDP Business Case Template and Proportionality Guide is available on the [website](#).

- Best practice guidance on structuring your business case
- Includes the proportionality assessment tool, designed to help you understand the level of detail required for each project business case
- Summary document: as part of the business case process, the summary document is mandatory, and must be submitted to DLUHC for approval and local approval of each project business case



The image shows the 'PROPORTIONALITY ASSESSMENT TOOL' table. It is a matrix with categories on the left and levels of detail on the top. The categories are General, Strategic case, Economic case, and Financial case. The levels of detail are Less detail and More detail. Each cell contains a description of the category and a horizontal double-headed arrow indicating the range of detail levels.

	Less detail	More detail
<b>General</b>		
Project size and value	<£1m	£25m+
Regional and national significance	Local	Regional / national
Innovation	Low	High
Experience delivering similar projects	High	Low / no experience
<b>Strategic case</b>		
Enabler of other projects and transformational change	Local impact	Transformational change
Stakeholder picture	Simple	Complex
Key dependencies with other projects	No dependencies	Strong dependencies
<b>Economic case</b>		
Risk and novelty of project	Low	High
Scenario definition	Simple	Complex, including Covid-19 impacts
Certainty around costs and benefits	High certainty	Low certainty
Disbenefits	No disbenefits	Potential Disbenefits
Monetising benefits	Easy to monetise	Difficult to monetise
Distributional impacts across groups	simple impacts, less relevant to project	Complex distributional impacts
<b>Financial case</b>		
Co-funding and uncertainties	Clear co-funding approach	High uncertainty and complex co-funding
Capital and Revenue restraints	None	Some
Financial viability and key financial risks	Low risks	High financial risks
Tax and accounting treatment	Clear	Complex, to be defined

# What is the Commercial Case?

## Purpose:

To demonstrate that there is a viable strategy and plan that will result in commercial arrangement(s) that will deliver value for money

## Key questions the Commercial Case aims to address:

- *Are the commercial requirements clear?*
- *Are the participants and their roles clear?*
- *Are the risks understood and allocated?*
- *How will the arrangements be formalised?*
- *What is the status of the market for the project?*
- *How will the project be procured?*
- *How will commercial matters be controlled?*

## TFDP Business Case Template: Content of the Commercial Case

### Introduction

- Aims, scope, references
- Requirements

### Commercial Deliverability

- Participants, roles, risk allocation
- Process and People

### Procurement Strategy

- Packaging
- Procurement route
- Supply chain engagement
- Contract form

### Wider Issues

- Special provisions, conflicts

# Management case

## Purpose:

Describes the practical arrangements for project implementation. It demonstrates that a preferred option and its benefits can be delivered successfully.

## Some key questions the Management Case aims to address:

- *Are there realistic and robust delivery plans that have been assured?*
- *Are the risks understood and are there plans to manage them?*
- *Is it clear who does what and do they have the necessary competences and capacity*
- *How will the benefits from the investment be captured and confirmed*

## TFDP Business Case Template: Content of the Management Case

- Introduction
- Project organisation and governance
- Assurance
- Scope management
- Programme / schedule management
- Risks and opportunities management
- Project management
- Stakeholder management
- Benefits, monitoring and evaluation



# Principles

# Challenges and Opportunities

## Challenges

- HM Treasury Five Case model wasn't designed for small grant funded projects!
- Template and the proportionality guides weren't designed for small grant funded projects!
- DLUHC mandates Business Case for each project with no exceptions for grant projects
- Towns have received DLUHC funding TIP settlements which include grant funded projects
- How can Towns prepare compliant Business Cases for grants without requirements?

## Opportunities

- Principles: adapting principles to demonstrate compliance with the spirit of the requirements
- Experience: apply Local Authorities experience of receiving and allocating 'grants'
- Sharing Approaches: several Towns have 'TF grants' as TIP projects

# Some Key Principles

- Delegation: Towns need to act like DLUHC in satisfying themselves that proposals for grants align with the TF aims, offer good value for money and assured outcomes
- Accountability: set out roles and responsibilities, accountabilities and governance
- Compliance: processes must ensure legal compliance
- Conflicts: processes must be design to operate free from conflicts of interest
- Transparency: process and performance must be visible whilst protecting commerciality
- Fairness: process must not discriminate
- Competition: market engagement to stimulate quality bids that will offer good value

# Application

# Components

## Stages

Agree Requirements and Process



Advertise Opportunities & Process



Applications



Assess Proposals



Approve Grants



Administer Settlement



Assess Outcomes

## Considerations

conditions, criteria, timescales

people, methods

form, content, guidance

confidentiality, objectivity

governance, conditions

distribution

monitoring, evaluation

Be clear on the process to agree, advertise, assess, approve and administer funds

Is it clear?

Is it fair?

Is it proven?

Will it deliver?

# Case Study: Stapleford

# Case study example – Stapleford

**Project Overview**

**Approach to creating the scheme**

**Learning Points**

**Commercial Case**

**Management Case**

**Application**

# Project Overview

- Town Centre Recovery Fund
- The fund will offer £1million through grants directly to applicants
- The fund is split into two components:
  1. Business Continuity Fund - £200k
  2. Building Development Grant Fund - £800k
- Both of the grants proposed aim is to support the longevity of Stapleford high street, through direct business support and development of the properties to bring new businesses into the area.
- Runs Jan 2022-Dec 2022.

	Business Continuity Grants Small Grants	Business Continuity Grants Larger Grants	Building Dev. Fund Small Grants	Building Dev. Fund Larger Grants
<b>Town Deal</b>	40,000	160,000	400,000	400,000
<b>Match</b>	0	48,000	0	120,000
<b>Total Investment</b>	40,000	208,000	400,000	520,000
<b>Number of Grants</b>	20	16	40	8
<b>Total Grants</b>				84



# Project Overview – Main Features of Fund

- Capital assets such as plant, equipment or machinery. **NB vehicles, stock and consumables are excluded;**
- Office equipment, furniture and the purchase and installation of computer systems;
- Security equipment and installation;
- Shop fitting and improvements to shop fronts, including refurbishment to interior;
- Advertising and marketing costs including website design;
- Temporary click and collect adaptation;
- Building fabric improvement and expansion;
- Remediation of abandoned or dilapidated units.

# Project Overview – Main Features of Fund

- **Town Centre Recovery Fund cannot cover:**
- Rental costs of units and associated bills;
- Business rates for premises or applicants for planning permission;
- Stock and consumables;
- Running costs.
- Retrospective costs
- N.B – In respect of expenditure for building works, Broxtowe Borough Council would require documentation for proof of planning permission.

# Approach to the scheme

## Local Context

- Location – draw away from town.
- Visual Appeal – run down units and poor gateways into the town.
- Occupancy Rates – below average.
- Footfall – slow decline since 2017, 41% down from 2019.

## Intervention Area

- Town Centre Boundary

## Following Key Principles

- Application form that is clear
  - Guidance doc to help applicants
  - Policy that sets out how money is paid and that aligns with the Exec board's Local Assurance Framework.
  - Panel make recommendations, after the applications are checked over by officers.
  - Assurance process in FBC development extra line of defence – ensure legal scrutiny is there!
- 
- Discretionary Scheme – If required, the fund can push out boundary and re-assess in the new financial year if required.

# Learning

## Subsidy:

- Smaller amounts
- Declaration

## Recovery and clawback:

- Agree a provision to write off debt with your board

Period after grant awarded	Amount of grant to be reclaimed
0-6 months	Up to 80%
7-12 months	Up to 50%
12-24 months	Up to 20%

## Due Diligence Report

- Demonstration that the flow of outputs that are recorded as being specifically from the Recovery Fund are not duplicated within other Towns Fund project – **post contract condition.**
- Any material changes that come to light in relation to outputs potentially deliverable by the Fund and programme for the grant to be invested to be updated, once the Fund has been launched and engagement with businesses progressed – **pre-drawdown condition**
- Extend the monitoring for the entire programme – **Pre-contract condition.**

# Commercial Case

- Broxtowe will manage and operate the scheme.
- A communications and engagement plan is key. Aim to engage with at least 99% high street businesses.
- The businesses will reference the TIP and demonstrate alignment with the vision and objectives during the application process.
- The Panel and Board will be supported by Officers of Broxtowe Borough Council.
- Flexile approach to grant payment – staged, conditions, built in contingencies – All proportionate.

# Management Case

- Applicants will submit form and include business case and cash flow.
- Council's Finance and Audit Team and provide recommendations.
- Support and advice provided to businesses, including signposting to LEP.
- The Panel will make recommendation for sign off at Executives Board meetings.

## Key Risks

- **Capital Cost Inflation**
- **Low Uptake of Grants**
- **Businesses Don't spend their grants**
- **COVID-19 – AGAIN!**
- **Delays in Project Approval**

# Management Case

Project Programme	
Work Stage	Date
Project Funding Approved	Dec 2021
Grants Advertised	Nov-Dec 2021
Scheme Open for Applicants	Jan 2022
First Grants Approved	Feb 2022
Regular Reports submitted to working group and Executive	Monthly
Grants Scheme Closes	Dec 2022 (or earlier if all monies have been spent)
All Grant Monies Defrayed	Mar 2023
Evaluation of Project Completed	Mar 2023

# Application Process





# Discussion

# Discussion prompts



What are other examples of Towns Fund grant projects



If drafting of the CC and MC has started, what issues is this raising for Towns?



Are Stapleford's issues and learning points recognised and shared?



What other approaches and learning points are being considered and why?



What lessons can Towns share from administering grant funds from others sources?



Are there any specific issues where further guidance may be warranted?

# Summary of Outcomes