

## LCR CA SIF Appraisal Report – Full Business Case

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### Appraisers Details

<b>Appraisal Completed By:</b>	<b>NAME: NEIL CHADWICK</b>
	Signature:
<b>Company:</b>	Steer
<b>Date:</b>	
<b>Appraisal Stage</b>	Final Report
<b>Version:</b>	FINAL

**Project Details**

<b>Project Name</b>	<b>Access to Halsnead Garden Village</b>
Project number	SIF0066
Applicant/Lead organisation	<b>Knowsley Metropolitan Borough Council (KMBC)</b>
Project theme	Housing
Project Summary	Improvements to M62 junction 6 Tarbock Island and six other junctions to overcome transport constraints on the development of the Halsnead Garden Village (HGV). The HGV site has capacity for 1,600 homes and 22.5 ha. of employment land.
Documents submitted and status	<p>Full Business Case, 25 May 2018</p> <p>Full Major Scheme Business Case Supplementary Report, May 2018</p> <p>Economic Appraisal Report, May 2018</p> <p>Land Use and Economic Development Report, May 2018</p> <p>Environmental Constraints report, May 2018</p> <p>Stakeholder Management and Communications Plan, May 2018</p> <p>Quantified Risk Assessment, May 2018</p> <p>Monitoring and Evaluation Plan, May 2018</p> <p>Delivery Report, May 2018</p> <p>Cost Plan, May 2018</p> <p>Letters of Support for Access to Halsnead Garden Village, May 2018</p> <p>Halsnead Garden Village SIF FBC Supporting Narrative/Summary</p> <p>Land Value Uplift – technical note, November 2018</p>
Total project cost	£12,142,325 (inc. 3% Optimum Bias (OB))

**Applicants SIF Funding Request and Profile**

	17/18	18/19	19/20	20/21	Total
Capital (inc. 3% OB)	0	£607,116	£3,086,428	£8,448,780	£12,142,325
Revenue	-	-	-	-	-

### **Assessment Summary**

<b><u>Core Selection Criteria</u></b>	<b>Score 0 - 4</b>
Fit with SIF Prospectus/Growth Strategy/other relevant strategies (effectiveness)	<b><u>4</u></b>
GVA and Jobs	<b><u>2</u></b>
Additionality of the Project	<b><u>4</u></b>
Value for Money in relation to Efficiency – GVA BCR NPPV	
Value for Money in relation to Economy – Minimum costs to quality	<b><u>2</u></b>
Gain share/repayment of SIF	<b><u>0</u></b>
<b>Total for core selection criteria</b>	
<b><u>Hurdle Criteria – Satisfactory or Unsatisfactory</u></b>	<b>S or U</b>
Need/demand for project	<b><u>S</u></b>
Rationale for public sector intervention	<b><u>S</u></b>
Options Assessment	<b><u>S</u></b>
Wider Benefits	<b><u>S</u></b>
Sustainable Development	<b><u>S</u></b>
Equality and Diversity	<b><u>S</u></b>
Preferred Option based on analysis of costs, benefits and risks	<b><u>U</u></b>
Stakeholder Support evidenced	<b><u>S</u></b>
Delivery Structure – suitable alternatives have been considered	<b><u>S</u></b>
Project Costs – robust estimates	<b><u>S</u></b>
Need for Investment Fund Support	<b><u>S</u></b>
Availability of match funding	<b><u>S</u></b>
Management and Delivery Arrangements – expertise/capacity/capability/systems	<b><u>S</u></b>
Capability to meet the financial requirements and liabilities	<b><u>S</u></b>
Risk register represents a realistic picture and appropriately apportioned	<b><u>S</u></b>
Intervention is deliverable regarding risks and dependencies	<b><u>S</u></b>

Compliance with necessary regulations state aid/procurement/planning/other	<u>S</u>
Communication strategy	<u>S</u>
Timescales are realistic	<u>S</u>
Benefit maximisation	<u>S</u>
Monitoring and Evaluation appropriate to scale and complexity	<u>S</u>

***Appraisers overall judgement to be based on a composite of the above criteria***

***In addition, applicants will be required to supply suitable financial information and be subject to a financial vet***

<b>Appraiser's overall recommendations and comments</b>
<p><u>Recommendation</u></p> <p>We recommend that funding is awarded to the application scheme with the following conditions:</p> <ul style="list-style-type: none"> <li>• The applicant concludes its discussions with Highways England on a contribution to the M62 J6 works from its Growth &amp; Housing Fund (which, if agreed, would reduce the SIF ask by £2.7m)</li> <li>• The applicant entering into necessary legal agreements with Highways England as well as statutory utilities</li> <li>• The applicant submitting a revised timescale for completion of the project that reflects current SIF approval timescales</li> <li>• Any cost overruns beyond the requested funds being met by the applicant (noting that, as yet, there are no tender prices for the interventions)</li> <li>• An approach to monitoring and evaluation being agreed with the Combined Authority.</li> </ul> <p><u>Comments</u></p> <p>The application scheme would improve 7 road junctions. This would overcome a constraint on the development of Halsnead Garden Village for residential and commercial use.</p> <p>As would be expected for a FBC assessment, this review has focussed on the differences since the OBC. The principal difference is that the applicant is now only seeking SIF monies for off-site highway improvements, while at OBC stage it was looking for both off-site and on-site improvements. This reduces the sum of money that is being applied for. Accepting that on-site improvements would be funded by other means and would be forthcoming, then there is no reduction in the benefits associated with realising the dependent development. However, a consequence of this is that should a subsequent SIF application be made for on-site junctions, then</p>

it would not be correct to claim the benefits from dependent development again. This would not be a consideration should the on-site junctions be funded commercially.

#### Strategic Case

The Strategic Case for the intervention is strong. It will help deliver the established policy goals of delivering new housing and commercial development by allowing a substantial site to be developed that would otherwise not come forward for development due to transport network constraints. While an appropriate range of options have been considered, the justification for the selection of the preferred option is weak.

#### Economic Case

Using the WebTAG approach to assessing the economic benefits of transport interventions that realise dependent development, the application scheme has a medium value for money case. Following the approach set out in WebTAG A2.2, the WebTAG BCR of the scheme is 1.92.

Looking at job and GVA impacts, the scheme meets the relevant SIF benchmark for gross and net jobs, but not for SIF benefit cost ratio benchmark.

#### Financial Case

There is no revenue stream from this scheme.

#### Commercial Case

An appropriate approach to procurement and contracting has been suggested.

#### Management Case

Knowsley Council has the necessary experience and skills to deliver this scheme.

Finally, we note that a substantial amount of work has been done to support this application. To us, the volume of work and particularly on the scheme's value for money and land use and wider economic benefits is disproportionate to the scale of the proposed investment and its likely impacts. Whether this is due to the requirements of the SIF process, or the way KMBC specified the work programme, or the approach taken by the advisors, or a combination of all of these is unclear, but to us there appears opportunity to streamline this process, while at the same time still gaining sufficient assurance that investing public money in the scheme is worthwhile. Furthermore, we consider that the development of the FBC and its assessment would have been more efficient (i.e. taken less time and cost all sides less money), if the recommendations we made at OBC has been acted on.

### **Detailed Appraisal**

#### **Assessment scoring**

##### **Core selection criteria scoring**

SCORE	DESCRIPTION
0	<b>poor or unsatisfactory</b> response giving rise to serious concerns about meeting the criteria
1	<b>weak</b> response suggesting there are shortcomings of a less serious nature in meeting the criteria
2	<b>adequate</b> response suggesting that the criteria is likely to be met, albeit only just
3	<b>good</b> response giving confidence that the criteria will be satisfactorily met in all relevant respects
4	<b>very good</b> response giving a high level of confidence that the criteria will be fully met and exceeded, offering added value and further improved outcomes

#### Hurdle criteria scoring

Assessment	DESCRIPTION
Unsatisfactory	response either gives rise to concerns about meeting the criteria or there is insufficient evidence provided
Satisfactory	response giving confidence that the criteria will be met

#### Core selection criteria

- Fit with SIF Prospectus/Growth Strategy/other relevant strategies (effectiveness)
  - the proposed intervention contributes to the objectives set out in the Growth Strategy/SIF Prospectus and, if relevant, other strategies (**refer to Questions 1-5**)

#### Assessment criteria: scored

	0	1	2	3	4
Appraiser's score	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>The request for SIF monies is for the modification of 7 road junctions, including M62 Junction 6 Tarbock Island. The objective is to facilitate the development of Halsnead Garden Village, which is considered dependent on the enhancement of road capacity. When fully built out Halsnead Garden Village will comprise 1,600 residential units and 22.5 Ha of employment land. The employment land is earmarked for B8 uses, including logistics and advanced manufacturing.</p> <p>The promoters state that by facilitating the development of Halsnead Garden Village the scheme will address all three of the LCR Growth Strategy pillars:</p> <ul style="list-style-type: none"> <li>• the productivity pillar, by providing employment</li> </ul>				

	0	1	2	3	4
	<p>opportunities</p> <ul style="list-style-type: none"> <li>as one of 14 sites nationally with Garden Village Status, Halsnead Garden Village will support the place pillar. It will extend the range of housing stock in the district, as well as secure a new country park and other green infrastructure</li> <li>the people pillar, by providing job opportunities in a deprived area</li> </ul> <p>In similar ways, the project will support the SIF Prospectus themes of housing and regeneration. It will also lead to a measurable improvement in traffic conditions to non-development related traffic, including traffic that will access the strategic road network at M62 Junction 6.</p> <p>The promoters also cite policy fit with: Locally-led Garden Villages, Towns and Cities Prospectus; Strategy for Knowsley; Knowsley Local Plan Core Strategy; LCR Growth Deal; LCR Growth Prospectus, the DfT's Transport Investment Strategy and A Transport Plan for Growth. The application also states that the project supports the Halsnead Masterplan SPD, although to us this seems circular given that this scheme would not exist without the Halsnead proposal. By providing land for B8 development it supports meeting the need for additional logistics-related land identified in the NIA Global LCR Superport 2014, Market Analysis Land and Property report.</p>				

- GVA and jobs
  - clear case that the investment will deliver relevant activities and outputs that lead to GVA and jobs. Greater weight should be attached to direct rather than indirect jobs **(refer to Questions 15 and 16)**

**Assessment criteria: scored**

	0	1	2	3	4
Appraiser's score	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appraiser's comment	<p>The application identifies that the preferred option (Option 3) of the four options considered would open up land for B8 development, which when built-out would directly support 922 net jobs. Of these 922 net jobs, 524 would be supported by 2021/22 and the full build-out would be completed by 2026/27.</p>				

	0	1	2	3	4
	<p>This figure of 922 jobs is derived as follows:</p> <ul style="list-style-type: none"> <li>• The application states that the 22.5 Ha of land for B8 will have a floor space of 87,400 m<sup>2</sup> GEA.</li> <li>• Assuming a 90% occupancy rate and an employment land density of 77m<sup>2</sup> of GEA/FTE leads to the gross jobs figure of 1,022.</li> <li>• The net figure is derived by assuming 15% leakage, 14% displacement and 10-30% displacement (depending on the plot – the average is about 14.5%).</li> <li>• Together these factors lead to a net figure of 640.</li> <li>• A multiplier of 1.44 has been applied to assess indirect jobs, leading to an additional 282 jobs.</li> <li>• The 640 net additional jobs added to the 282 indirect jobs gives the figure of 922 net jobs.</li> </ul> <p>Assuming £44,000 GVA per worker leads to a GVA figure of £40.5m per annum. (See Table 9 in Land Use and Economic Development Report. – assumes full build out, which will be completed after 2021/22).</p> <p>The results of the calculations are (of course) dependent on the assumptions made. The assumptions were questioned at SOC stage and while they were revised for the OBC they have not been revised for the FBC. As we said at OBC stage, there is little justification for the adopted assumptions in the submitted documentation. Using the default assumptions set out in the SIF Appraisal Method Note would reduce the net jobs impact to 454 and give a GVA figure of £20.0m per annum (at full build out).</p> <p>Also, as set out in the responses to questions 15 and 16, there is no difference in the permanent job impact between any of the four options considered by the promoter. While the assessment of GVA and jobs identifies a direct impact of an improvement to access arrangements to the site, it does not help identify that the preferred option (Option 3) has a lessor or bigger impact than any other of the options considered.</p> <p>The direct job/indirect job assessment assumes that offsite access and connectivity enhancements (this funding application) will come forward, as well as site access junctions which will be funded separately. As at present, the site access junctions are unfunded, this presents a risk to the realisation of</p>				

	0	1	2	3	4
	the claimed job impacts.				

- additionality of the project – clear case that the intervention would not otherwise take place, will have low levels of displacement, would be smaller, happen later or be of a lower quality (**refer to Questions 13, 15, 16 and 21**)

**Assessment criteria: scored**

	0	1	2	3	4
Appraiser's score	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>While the application of the assumptions leading to the quantification of additional jobs and GVA can be questioned, the response to Q8 gives a clear rationale that the land use development will not take place without road network enhancements and that there is insufficient value to be gained from the development for the private sector to pay for such improvements. The evidence is that the development will only proceed if pump primed by the public sector in the form of the access improvements.</p> <p>Accordingly, it can be said that with confidence that the employment/GVA impacts would not materialise without public sector intervention. While the question on the scale of displacement is more moot, but even with alternative assumptions, the additional job/GVA figures remain sizeable.</p>				

- Value for money in relation to:
  - Efficiency – the rate at which the intervention converts inputs to GVA – expressed as a benefit cost ratio and Net Present Public Value (**refer to Questions 13, 14, 15, 16 and 21 and additional information such as the results of webTAG and DCLG appraisals**). **The appraiser should test the sensitivity of the results to changes to key variables.**

**Assessment criteria: ratio of net additional GVA to net public sector cost. GVA will be estimated by the appraiser based on the data provided by the applicant. Net public sector cost per gross and net additional job.**

	Net Present Public Value	SIF Benefit Cost Ratio	Below benchmarks	Above benchmarks

Appraiser's assessment	20.85	3.39	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>Gross job</b>	<b>Net public sector cost per gross job</b>	<b>Below benchmarks</b>	<b>Above benchmarks</b>
Appraiser's assessment	1022	11,880.94	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<b>Net job</b>	<b>Net public sector cost per net job</b>	<b>Below benchmarks</b>	<b>Above benchmarks</b>
Appraiser's assessment	454	26,728.42	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment (including on national level assessments and the results of sensitivity analyses)	<p>In the table above and as per SIF guidance ("Liverpool City Region SIF Appraisal – Method Note"), the SIF BCR has been calculated for costs and benefits incurred in the period 2016/17 to 2021/22 only. A persistence of 10 years has been assumed. It is noted that the promoters state that 441 of the 1022 gross jobs will occur after 2021/22, which means that the SIF BCR calculation does not capture the full benefits of the scheme. The GVA impact of construction jobs is not included in the BCR calculation. For the BCR costs and benefits have been discounted to 2010 prices using a 3.5% discount rate.</p> <p>The cost per job benchmark is taken from Table 6 of the "SIF Appraisal Guide VfM Benchmarks" note. Use of SIF default assumptions on displacement, deadweight and leakage would result in the benchmark being passed.</p> <p>The metrics have improved since the OBC stage. This is because the applicant is asking for less SIF money than at OBC, but is saying that there is no change to the number of on-site jobs or when these will occur. Their position is that the employment activity on the site is not dependent of the currently un-funded on-site road enhancements.</p> <p>The welfare approach to setting out the value for money of the application scheme is set out in the DfT's WebTAG guidance (WebTAG Unit A2.2 Appraisal of Induced Investments). The applicant's application of this approach is documented in the November 2018 Land Value Uplift – technical note. (This approach is identical to the approach in the December 2016 DCLG Appraisal Guide, but WebTAG offers greater detail on how the approach is applied to transport schemes.)</p> <p>The DfT's WebTAG guidance asks that promoters undertake a five-step process:</p> <ul style="list-style-type: none"> <li>• Step 0: Demonstrate that the provision of new housing is</li> </ul>			

	<p>dependent on an enhancement to the transport network – that is without enhancement the network level of service is not considered reasonable</p> <ul style="list-style-type: none"> <li>• Step 1: Determine the quantity of new housing that should be regarded as dependent on a transport scheme and the quantity that can happen in any event (the deadweight);</li> <li>• Step 2: Identify the minimum transport scheme required to restore a reasonable level of service with the dependent development;</li> <li>• Step 3: Assess the transport user benefits of the transport scheme in isolation (that is, in the absence of the dependent housing development but with the deadweight);</li> <li>• Step 4: Assess the Transport External Cost, that is the negative impact of the traffic generated by the dependent development on the base load (including deadweight generated traffic);</li> <li>• Step 5: Consider any other traffic related impacts</li> </ul> <p>It is noted that current WebTAG guidance only considers residential development.</p> <p>Question 8 of the application addresses Step 0 by showing that the development is dependent on the road scheme. In the context of WebTAG A2.2, the development will be 1600 houses</p> <p>Step 2 is what leads to the preferred option and this is addressed below.</p> <p>Steps 3 to 5 are combined to calculate a WebTAG BCR. In this assessment, the benefits are calculated as follows:</p> <p>Dependent Development Benefits = Land Value Uplift (adjusted for displacement) + Other Benefits – Transport External Costs – Land Amenity Value – Non-Transport Complementary Interventions</p> <p>Cost are assessed in the usual way.</p> <p>The WebTAG BCR for the application scheme reported in the November 2018 Land Value Uplift analysis note is 1.92, which gives an initial VfM category of medium. WebTAG then allows VfM assessments to be adjusted in the light of non-monetised impacts (which can be positive or negative). As the WebTAG approach does not include the LVU from commercial property, it is argued by the applicant that the VfM should be considered high. However, as applied the WebTAG approach also does not consider the traffic impacts of these developments. In addition, we consider optimism bias is understated and that the reasonably applied but simplified approach to considering deadweight will also lead to a modest overstatement of impact. Accordingly, we</p>
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	recommend that the VfM category be considered to be medium.
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- Economy – the extent to which the intervention will ensure inputs are at a minimum costs commensurate with the required quality (**refer to Question 22**)

**Assessment criteria: scored**

	0	1	2	3	4
Appraiser's score	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appraiser's comment	<p>As set out in Question 22, the approach to ensuring input costs are at a minimum for the selected option is appropriate for a project of this nature and scale. To reflect an evolved specification, refined cost estimates have been since OBC. The project design is at RIBA Stage 4 (Question 2).</p> <p>However, as we noted at OBC stage do not consider that in the round the OBC addresses the question that the scheme is being delivered with economy and in particular, why Option 3 is the preferred option over lower cost alternatives. We return to this in a later question.</p>				

- Gain share/repayment of SIF
  - clear case (where applicable) that the investment is expected to result in the repayment of SIF funding (**refer to Questions 40-42**)

**Assessment criteria: scored**

	0	1	2	3	4
Appraiser's score	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appraiser's comment	The promoter is looking for 100% capital grant. There is no gain share.				

**Hurdle criteria**

- Need/demand for project
  - that there is clear evidence of need or demand for the project (**refer to Question 6**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>As already noted, the promoter has demonstrated in their response to Question 8 that the scheme is needed if the Halsnead Garden Village is to come forward for development.</p> <p>The FBC and supporting documents demonstrate that policy supports the provision of additional housing and employment-supporting development across the LCR and that these policies have been framed in response to assessments of future demand. Question 8 cites market demand studies that show that the site is well positioned and is attractive to development.</p>	

- Rationale for public sector intervention
  - there is a clear rationale for why the project requires public sector support, based on a credible market failure (**refer to Questions 7 and 8**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>Questions 7 and 8 demonstrate that intervention is needed to overcome the financial viability issues faced by the private sector bring forward the site for development.</p>	

- Options assessment
  - an appropriate range of alternative options has been considered, including a do nothing / do minimum option (**refer to Question 13**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	Unsatisfactory	Satisfactory
Appraiser's comment	<p>Four options have been considered. Given that the scheme is to open up land for development, Option 1 (the do-minimum) is substantial in cost when compared to the preferred option, but nonetheless is appropriate – it involves one junction to open up land north of the M62 and one to the south. The three do-something options are progressively more intensive investments.</p> <p>It is noted that at present, the applicant is only seeking funding for off-site works and it assumed that the on-site works that are seen as integral to realising the dependent development will be funded by other means.</p>	

- Wider benefits
  - that there is clear case that the project will deliver relevant activities and outputs that lead to wider benefits. **(refer to Questions 17 and 18)**

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>Question 17 identifies a number of additional wider benefits not included in the jobs/GVA assessment. These are:</p> <ul style="list-style-type: none"> <li>• improvements to drainage</li> <li>• new walking and cycling routes leading to physical activity/health benefits</li> <li>• new employment locations and other facilities (eg school)</li> <li>• development of brownfield land reducing the availability of contaminants and presence of invasive plant species</li> <li>• provision of a country park.</li> </ul> <p>While these are benefits of Halsnead Garden Village, rather than the scheme, it is noted that its development that is dependent on the road scheme.</p>	

- sustainable development
  - that there is clear case that the project will contribute to the principles of sustainable development. **(refer to Question 19)**

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>While the Halsnead Garden Village will be predominantly accessed by private car traffic, the Garden Village principles that underpin the masterplan incorporate principles of sustainable development. Walking and cycling networks will be provided and the preferred option will be integrated with these. Question 19 notes improvements to drainage, bringing brownfield land back into use, insofar as possible the retention and re-use of construction generated waste material and the provision of a country park which will mitigate any localised habitat loss.</p>	

- Equality and diversity
  - that there is clear case that the project will contribute to equality and diversity. **(refer to Question 20)**

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>The scheme does not discriminate against men or women. The road enhancements would be beneficial to all types of road user users, regardless of where they live.</p> <p>As good practice dictates, Non Motorised User Audit and Road Safety Audit are integral to the design process.</p> <p>The applicants also are aligned to the requirements of The Equality Act 2010 so there is no discrimination in the public body workforce which are applying for the SIF grant.</p>	

- Preferred option

- based on the analysis of economic costs, benefits and risks, the proposed project represents the preferred option (**refer to Question 13-24**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Appraiser's comment	<p>The responses to Questions 16 and 17 show that Options 1, 2, 3 and 4 deliver the same additional permanent jobs and GVA. The response to Question 14 shows that Option 1 has a cost of £12.5m, Option 2 has a cost of £15.0m, Option 3 has a cost of £19.9m while Option 4 has a cost of £27.7m. (These costs include on-site junctions, which are not part of this funding application.) This shows that the same additional permanent jobs and GVA can be delivered at lowest cost by Option 1. However, because Option 1 supports fewer housing units it has a lower (temporary) construction impact. Also, Option 1 does not meet the objectives of supporting delivery of new housing units.</p> <p>Of the remaining options, Option 3 is preferred. The quantified and monetised information provided in the OBC does not support the position that Option 3 delivers the desired outcomes with the greatest economy. The rationale for selecting Option 3 over the less expensive Option 2 is therefore qualitative.</p> <p>A qualitative description of the difference between the options is provided in the table that forms part of the response to Question 13 and in the MCA assessment that form the answer to Question 18. According to Question 13, the difference between Option 3 and Option 2 is that Option 3 would provide a “distinct sense of arrival and place making for Halsnead Garden Village in accordance with the Masterplan SPD”, while Option 2 would use “non-descript standard form priority junctions”. In addition, it is stated that Option 2 would “not facilitate additional future [traffic] growth across Knowsley and the wider LCR”, while (presumably) Option 3 would. A similar but different point is made in Table 6 on page 35/36 of the Supplementary Business Case Report where it says: “Option 2 was discounted on because the priority junctions would not providing gateway access that would support the development of Halsnead as a Garden Village. Further concerns arising from traffic modelling that the junctions would be over capacity as</p>	

	Unsatisfactory	Satisfactory
	<p>the scheme developed beyond the initial allocation of housing and employment land.” There is no mention of any additional development in the FBC itself.</p> <p>The response to Question 18 (MCA) is considered unreliable as the weights and scores cannot be substantiated from the description of the options provided in either the FBC or the supporting documentation.</p> <p>Overall this response is considered unsatisfactory.</p>	

- Stakeholder support
  - that there is clear evidence that the project has stakeholder support (**refer to Questions 9 and 10**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser’s assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser’s comment	<p>Appended to the FBC are letters of support from Barton Wilmore (on behalf of an unnamed land owner); Highways England; Frost Planning (on behalf of an unnamed client); Bloor Homes; Countryside Properties; Maro Developments; Harworth Estates and Barratt David Wilson Homes. Each of these letters is dated May 2017. It is also noted in Question 10 that The Land Trust and Places Matter! have expressed support. It is assumed that there is no change to these positions expressed in 2017.</p>	

- Delivery structure
  - suitable alternative delivery options have been considered and the option selected is the most appropriate (**refer to Questions 25 and 26**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser’s assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	Unsatisfactory	Satisfactory
Appraiser's comment	<p>Three delivery options have been considered. Option 1 is delivery by KMBC's Highways &amp; Transportation Services. Option 2 has delivery responsibilities split between KMBC (local roads) and Highways England (Tarbock Island). Option 3 (the preferred option) is delivery by a new KMBC Major Development Team, the details of which are set out in Question 46. The selected option, using the new Major Development Team recognises the limitations of the alternatives considered, and best uses the resources of Knowsley Council and partner organisations.</p>	

- Project costs
  - the application demonstrates that the project costs are based on robust estimates (refer to Questions 34-37)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>The applicant has set out the basis of the cost build-up. The Cost Plan submitted alongside the FBC provides a more detailed breakdown of the individual components, but does not provide any information on the derivation of these costs. The Cost Plan is for both off-site and on-site interventions. Separately, the applicant has provided a cost and spend profile for the off-site interventions (this application). Costs have been further developed since OBC.</p> <p>It is noted that costs for the Tarbock Island elements of the scheme have been provided by Amey, although no details are provided. The rest of the costs have been built up from unit rates. While not inappropriate for an OBC of this nature, there is a degree of risk with this approach. Greater certainty at FBC would be beneficial.</p> <p>The applicant has applied Optimism Bias at 3%. This is the value set out in Table 8 of WebTAG Unit A1.2 for application at FBC stage. However, this value assumes that the FBC is produced between receiving tender submissions and signing contracts – that is 3% is applied to the preferred bidder's tender price. This scheme is not at that stage yet. While applying 15% (the OBC value) would appear excessive, we would suggest 3% is too low</p>	

	Unsatisfactory	Satisfactory
	a value to apply. As this FBC is being submitted pre-tendering there is therefore an element of cost risk which may not be adequately captured by the assumed 3% OB.	

- Need for Investment Fund support
  - that there is clear evidence that the project requires support from the SIF for example due to a funding gap (**refer to Questions 34, 35, 38 and 39**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	The scheme generates no income and the response to Question 8 provides evidence that there is no prospect of the private sector funding the scheme.	

- Availability of match funding
  - appropriate arrangements (if applicable) are in place to secure the required level of match funding (**refer to Questions 38 and 43**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>This application is for 100% SIF funding of the components of the project included in the scope of this application.</p> <p>In Question 43 the application states that KMBC has made an 'in kind' contribution by funding development work to the tune of £800,000 – this includes the Masterplan SPD, as well as detailed design work.</p> <p>It is also noted that infrastructure within the Halsnead Garden Village site (local roads, services, etc.), as well as the houses and commercial development will be funded by the private sector.</p> <p>KMBC is in discussion with Highways England about funding the Tarbock Island enhancement using Housing England's Growth &amp; Housing Fund. This has the potential to reduce the SIF ask by c.£2.7m.</p>	

- Management and delivery arrangements
  - appropriate expertise, capacity, capability and systems to deliver the intervention successfully (**refer to Questions 27, 28, 46, 47 and 48**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	The applicant is establishing a Major Development Team to take this and other projects forward. The team is derived from best practice and performance across other strategic projects.	

- capability to meet the financial requirements and liabilities that flow from receipt of SIF support (**refer to Questions 44 and 45**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	Knowsley Council has a successful track record of delivering projects to time and budget, and has in place arrangements to manage and mitigate any cost overruns. The Council's Section 151 Officer has confirmed that the Council accepts responsibility for meeting any potential cost overruns (dated 25 May 2018).	

- the risk register presents a realistic picture of the business and delivery risks to the project, risks are apportioned appropriately between the public and private sector and appropriate risk management arrangements are identified (**refer to Questions 23, 33 and 52**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	The Council has included a risk assessment which sets out a realistic range of risks to the project. As a wholly public sector funded project, almost all of these risks rest with Knowsley Council.	

- the intervention is deliverable having regard to risks and dependencies and that there is clear evidence these can be addressed and/or managed (**refer to Questions 11, 12 and 52**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	The risk assessment and the proposed delivery, governance and management arrangements provide evidence that the project is deliverable having regard to risks and dependencies and that these can be addressed and/or managed.	

- Compliance with necessary regulations and requirements, including
  - State aid
  - Procurement
  - Planning (what is the status and timescale implications)
  - other consents

**(refer to Question 29-32)**
- Communication strategy
  - that there is a clear and appropriate communication strategy for the project (**refer to Questions 49**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>The project has been subject to a separate and detailed consideration of State Aid issues, including legal advice. Our position is that this consideration takes precedence over the FBC submission and this review. Consequently, we do not comment on state aid issues.</p> <p>The applicant has set out that no specific consents are required for the highway works and that it will need to enter into a legal agreement with Highways England for the works at M62 J6. Minor utilities consents will be needed. The land which is identified for dependent development is appropriately</p>	

	Unsatisfactory	Satisfactory
	designated in the Local Plan. An appropriate consultation strategy is set out in response to Question 49.	

- Timescales
  - the overall timescale for delivery of the project is realistic (**refer to Questions 48, 49 50 and 51**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	The elapsed time is plausible, given the nature of the proposed works. The FBC has work commencing in December 2019, assuming an August 2018 approval. Clearly, this is no longer achievable. The c. 6 month delay in approval would suggest completion in Q2 2021. Should funding be approved, the applicant should be asked to update its timescales.	

- Benefit maximisation
  - that there are clear and appropriate benefit maximisation arrangements proposed (**refer to Question 53**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	There is a clear logic chain between the claimed benefits and the outputs that the scheme will deliver, although the benefits associated with the dependent development will require further investment by the private sector on a commercial basis.	

- Monitoring and evaluation
  - the proposed monitoring and evaluation arrangements are appropriate to the scale and complexity of the project (**refer to Questions 54-56**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

	Unsatisfactory	Satisfactory
Appraiser's assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraiser's comment	<p>A Monitoring &amp; Evaluation Plan has been produced and this is included as part of the FBC submission. The adopted approach is based on the DfT's Monitoring and Evaluation Framework for Local Authority Major Schemes. Given the scale of the investment, there may be opportunity to par back some of the proposed data collection while still adopting a proportionate approach.</p>	