

Benefit Cost Ratio Methodology

The LEP model which is used by its Economic Intelligence Unit takes the outputs from projects and calculates the benefit cost ratio for employment, business creation, business assists, learners assists and housing outputs and combines them to calculate the GVA impact and a total project Benefit Cost Ratio based on the public sector ask.

Total project BCR
GVA at net present value (all benefit groups)
Total public sector asks
Benefit Cost Ratio
Employment
Economic Benefits Summary
Total Direct Jobs
Total Net Jobs
Cumulative total GVA
Cumulative total discounted GVA
Cost per job
Benefit Cost Ratio (BCR)
Business Creation
Economic Benefits Summary
Total Direct Business Creations
Total Gross Business Creations
Total Net Business Creations
Cumulative total GVA
Cumulative total discounted GVA
Cost per Business Creation
Benefit Cost Ratio (BCR)
Business Assists
Economic Benefits Summary
Total Direct Business Assists
Total Net Business Assists
Cumulative total GVA
Cumulative total discounted GVA
Cost per business assist
Benefit Cost Ratio (BCR)
Learner Assists
Economic Benefits Summary

Benefit cost ratios (BCRs) are utilised in capital budgeting to analyse the overall value for money (VfM) of undertaking a new project. It is an indicator showing the relationship between the relative costs and benefits of a proposed project, expressed in monetary or qualitative terms. For the purposes of BC LEP funding, the Economic Intelligence Unit has developed the formula, deployed by the Programme Management office, to identify the BCR for a project requiring public sector funding.

Version	Date	Created by	Approval & date	Protection	Page Number
1.2	08/03/2021	BCC Ltd	TBC	Not Protectively Marked	1

The threshold for any project that has been assessed, is 1.5 and would be considered 'good value for money' should this threshold be exceeded. For transport related schemes, the main metric considered for the BCR is reduced transport journeys, any transport schemes seeking LEP funding will require a BCR higher than 2 in order to demonstrate high VfM.

The BCR calculation however does not take into consideration the Strategic fit and proposition of a project – this is considered as part of the project assessment against the Black Country Strategic Economic Plan and associated frameworks.

All BCR's are reported through the Black Country LEP's governance process, when requesting project approvals or changes to projects.

Version	Date	Created by	Approval & date	Protection	Page Number
1.2	08/03/2021	BCC Ltd	TBC	Not Protectively Marked	2