

**Task:** Establish an Operating Manual for the BC Land Fund and Finance Birmingham resources

**Scope:** To establish an AB function to cover the BC Land Fund (£52m) first phase draw-down, and resources assigned to Finance Birmingham. Identify the roles and responsibilities of each partner to ensure effective management of public money

**Timescale:** To develop an outline draft by end-February, with the final product completed by March 31<sup>st</sup> 2018

**Background:**

The Council is responsible for drawing down funding from the West Midlands Combined Authority (under devolution agreements) to create grant funding pots designed to promote economic development and regeneration schemes.

There are two proposed pots of funding to be drawn-down. The first is a Land Fund which will be overseen by the Black Country LEP, the second is a fund to be operated by Finance Birmingham which operates over a wider geography. Finance Birmingham and the Black Country LEP are referred to as the 'Operating Agents' in this document.

The Council must ensure that the funding is used in a way which is compatible with the proper use of public funding. The funds must only be allocated to projects which meet eligibility requirements, effective appraisals must be completed, fit for purpose legal agreements must be generated and effective monitoring and payment systems must be established.

The Council has retained independent specialists to support it perform the role of accountable body. It now needs to effectively document the processes and procedures that will assure the funds are managed properly. This is the main purpose of the manual.

The manual should include the following sections;

**1. Document the relationship between the Combined Authority and the Council (acting as Accountable Body)**

- Document the relationship between the Combined Authority and the City of Wolverhampton Council for the draw-down of the resources in relation to both funds. (detailing a draw-down process)
- Establish a reporting protocol between the Accountable Body and the WMCA.
- Establish an agreement between the WMCA and the Accountable Body for a reasonable sum of money to be spent on performing the accountable body role.

- Align the governance processes for the fund with the JCST operating procedures and recommend efficiencies (local Black Country oversight)
- Establish the relationship between adopted WMCA quality assurance processes and the BC Land Fund.

## **2. Quality Assuring the 'Operating Agents'**

- Create a specification for the Black Country LEP Programme Office and Finance Birmingham as 'operating agents' defining their responsibilities for commissioning, appraising and recommending projects for approval
- Review that a process is in place to ensure projects in the pipeline are vetted to ensure compliance with commissioning documentation or other strategic guidance
- Establish that the 'operating agents' have a compliant project appraisal process and have engaged appropriately qualified advisors.
- Establish that proper processes and procedures are in place at each point in the lifecycle of a project. The appraisal process will be managed and overseen by the 'Operating Agents'. This must include;
  - o Promoting the fund and ensuring access to the fund
  - o Evidence of how projects in the development pipeline are strategically commissioned
  - o Ensure a system is in place to advise on an applicant's technical eligibility for grant
  - o Establish that adequate early vetting of applicants to establish they are fit to receive public funding
  - o Map out the basic requirements of the appraisal process which must be adhered to;
    - The appraiser must recommend the minimum level of grant required to enable a project to proceed
    - A consistent approach is used to applying an allowance for developers profit
    - A clear and consistent approach towards apportioning existing site costs within the appraisal
    - Ensure a fully compliant cost appraisal is completed on all projects and this is undertaken by a suitably qualified professional
    - Ensure that all land values included in the appraisal are externally verified by a qualified professional
    - Ensure that clear State Aid advice has been included by the applicant, this should as a rule be independently provided by a specialist.
    - Ensure all project costs, fees and allowances are properly appraised
    - Ensure a consistent approach is applied towards clawback/overage.

- When circumstances require it, recommend conditions for contracting to the Accountable Body

### **3. Detail the role of the Accountable Body**

It is the responsibility of the 'Operating Agents' to manage the project pipeline, check projects for strategic-fit, commission appraisal and make recommendations to project approval Boards. The project then passes to the Accountable Body to perform a number of critical checks which require documenting.

- Ensure that an effective process is in place to undertake a financial due-diligence check on applicants (this is a specialist task and may need to be undertaken by a contractor)
- Be satisfied that the State Aid advice is clear. If the advice is deemed inadequate (because it is too general in nature or not professionally indemnified) the AB could consider taking its own advice
- Ensure that each approved project has a detailed and bespoke schedule clearly listing the eligible expenditure items to enable payments to be made
- Develop a project performance monitoring plan
- Ensure a system for a QS to verify claims and a process for dispute (when required) is in place
- Recommend an evaluation process, identify times and milestones.

### **4. Document the approval lifecycle of a Project**

- Map an approval process for individual projects, identifying the various gateways they must clear.
- Document the exact role in the lifecycle of each of the professional disciplines retained by the Accountable Body and the Operating Agents;
  - Project Appraisal (Service procured by the Accountable Body, but operated by and with a duty of care to the Operating Agents)
  - Cost verification (Appraiser signs off financial schedules, the Accountable Body QS prepares contract schedules and monitoring plan)
  - Financial due-diligence (Accountable Body)
  - State Aid check
  - Issuing of Contracts

### **5. Formalising the Management Arrangements**

Based on the work undertaken during this commission, develop the following suites of documentation;

- Create an outline draft 'service specification' for the Accountable Body to issue to the 'Operating Agents'
- Specify the internal resources required by the Accountable Body to perform its role. This should include assigning the time of existing staff to support this function, and to identify the number and scope of other roles to be retained by the Accountable Body
- Detail the performance specifications for the external advisors (some of this has been done via the procurement exercise)
- Document a quality assurance process. In particular, recommend a process for the Accountable Body to quality check the project appraisal process.
- Recommend a document management system which is adequate to maintain records for audit and evaluation purposes.

**Response:**

Please send your detailed response to this requirement via the e-tendering portal no later than 12pm on 10<sup>th</sup> January 2018.