



Black Country Executive Joint Committee
Dudley, Sandwell, Walsall and Wolverhampton

REPORT OF THE CITY DEAL AND GROWTH DEAL ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE

ON

WEDNESDAY 17 JUNE 2015

Revised Due Diligence Process for the Local Growth Fund Programme

Key Decision:	Yes
Forward Plan:	Yes

1. PURPOSE OF REPORT

1.1 To present the recommendations of the Advisory Board of the Joint Committee in relation to approving the refining and strengthening of the current Due Diligence process by the Black Country Consortium Programme Office and the Accountable Body for the Growth Deal (Walsall Council).

2. RECOMMENDATIONS

2.1 The Joint Committee to grant approval of refinements and strengthening of the supporting Accountable Body Due Diligence process

3. REPORT DETAIL

3.1 As part of the implementation of the round 1 Local Growth Deal programme a Due Diligence process was established to safe guard the financial assets of the programme administered through the Accountable Body (Walsall Council) in line with its treasury management processes and procedures.

3.2 The Due Diligence process developed to support initial Grant Awards reflected the urgency of delivering the new task and were then delivered once the projects had reached the Grant Agreement stages. Experience has shown that if where possible appropriate processes were completed earlier in the process, this would have shortened the time required to complete the Grant Award negotiations. The Due Diligence process developed also sought to cover off any omissions from Business

Case submissions that would potentially have unintended consequences for Walsall Council, via its Accountable Body role, should the Grantee default on its project bid.

- 3.3 New & redesigned processes have been developed to replace the LGF Round 1 processes, reflecting the increased capability within the BC Programme Office, a more robust Business Case content requirements and the separation of responsibilities between Black Country Consortium (BCC) Programme Office and officers of Walsall Council acting as Accountable Body.
- 3.4 Principles adopted in refining the current Accountable Body Due Diligence process are:
- 3.4.1 BCC Programme Office will be responsible for managing the progression of Local Growth Fund bids throughout the Evaluation process.
 - 3.4.2 BCC Programme Office Evaluation will be responsible for all Monitoring and Performance Reporting for all Projects receiving LGF Support. Walsall Council will be responsible for the monitoring associated with the verification of evidence to support grant claims (following submission of completed Grant Claim Certificates by the Grantee).
 - 3.4.3 BCC Programme Office will regularly report progress of individual bids which constitute the LGF Pipeline, throughout the entire process, to Bidders and to the various Committees.
 - 3.4.4 BCC Programme Office will be responsible for supplying overall performance management information on the Growth Deal programme, and in supporting the Accountable Body in the verification of data to substantiate Grant claims from successful bidders
 - 3.4.5 Processes and supporting questions should be fit for purpose, transparent, & time bound for completion, and subsequently published on the BCC web site for all Bidders to understand the entire Grant Award process before they enter it.
 - 3.4.6 Walsall Accountable Body will commence all Legal and Finance based Due Diligence enquiries as soon as the LEP Theme Board has given Approval in Principle to a Business Case to proceed to Full Business Case completion.
 - 3.4.7 Walsall Accountable Body will complete all Legal and Finance based Due Diligence enquiries prior to seeking LEP Board & Joint Committee approval for a Grant Award to a bidder.
 - 3.4.8 Subject to the completion of the process by applicants and their submission of the required information, Walsall Accountable Body will seek to issue Grant Award contracts to successful projects within 15 days of Grant Award approval by Joint Committee, following a 5 clear working days cooling off period.
- 3.5 The proposed Walsall Accountable Body Due Diligence process is centred on verification and has the following focus areas.
- 3.5.1 Confirmation of Corporate structure
 - 3.5.2 Confirmation of Financial status, i.e. as a “Going Concern”
 - 3.5.3 Confirmation of compliance with Employer Legislation
 - 3.5.4 Confirmation of compliance with State Aid rules

- 3.5.5 Evidence Match funding sources are secured
 - 3.5.6 Confirmation of Ownership of the Land / Assets (as appropriate)
 - 3.5.7 Confirmation of compliance with OJEU Procurement requirements (if applicable)
- 3.6 Simultaneously to processing the Due Diligence confirmations, Draft Grant Agreements will be agreed and signed with the applicants and will remain subject to all applicants underwriting the grant sums payable against either; land, assets or funds placed into a bond or secure account.
- 3.7 Requests for approval to move to Grant Award will only be submitted to the LEP Board and Joint Committee after all Due Diligence enquires and processes are completed, Draft Contracts are agreed, and the Full Business Case has been endorsed by the appropriate LEP Theme Board.
- 3.8 This approach will mean that no further evaluation or compliance processes other than the actual issuing of the Grant Agreements themselves will be required, unless significant changes to key details, circumstances are discovered / declared by the applicants or a significant change to the Business Case is required etc.
- 3.9 The detailed processes and structures that the Accountable Body undertake as part of this revised Walsall Accountable Body Due Diligence process for the Local Growth Fund will be considered and revised as required, subject to the agreement of the Section 151 officer.

4. FINANCIAL IMPLICATIONS

- 4.1 Walsall Accountable Body Due Diligence process is designed to safeguard the assets of Walsall Council in acting as Accountable Body for Local Growth Fund grant issued by BIS to the LEP Board. It is intended to safeguard Walsall from any unintended consequences of performing that Accountable Body role. BCC must provide an agile response to exploiting Investment in Regeneration opportunities and meeting challenges as they arise. Evaluation processes need to be transparent, equitable, and timebound to reflect enhanced BCC capability and refined Due Diligence activity by the Accountable Body. Evaluation processes should help leverage Private sector Investment bids, and sustain their interest throughout a time bound Evaluation process.
- 4.2 Predictable, time bound, transparent Evaluation, Due Diligence, and Legal Contracting Processes clearly published on the BCC website and adhered to by all participants, will protect Walsall MBC in the event of adversarial challenge by unsuccessful bidders seeking compensation for failing to achieve Grant Award.
- 4.3 No Grant Agreements will be signed off by the Section 151 Officer of the Accountable Body until all of the Due Diligence processes have been completed, arrangement for underwriting the Grant sums agreed and signed off and legal requirements have been fulfilled.

- 4.4 For the Accountable Body elements, Walsall Council will follow both its Treasury Management processes and procedures and its Grants Manual.

5. LEGAL IMPLICATIONS

- 5.1 The LEP Assurance Framework will need to be updated to reflect the changes and these will be agreed with the Accountable Body's Section 151 and Legal Officer as required.
- 5.2 Any changes required as a result of the review of the Walsall Accountable Body Due Diligence process for the Local Growth Fund will be subject to the involvement and approval of both the Financial and Legal representatives of Walsall Council.

6. RISK MANAGEMENT

- 6.1 There is a risk that the present Due Diligence processes are not sustainable in the longer term in supporting Private Investment bidders through an extended process. This could result in reducing the appeal of LGF support to Private Investment bidders who would be seeking a more agile, refined and commercially certain process before they participate.
- 6.2 This process transfers the evaluation of Regeneration risks presented by each bid to the individual LEP Theme Boards. The LEP Board appetite for accepting controlled risks based on commercial assessments would be delivered through the Theme Board recommendations against each Project bid.
- 6.3 Risk assessments would be performed within the core evaluation process by Programme Office in conjunction with bidders and would not rely extensively on external contracted-in support.
- 6.4 The new process will seek to address the challenges of the first year of Growth Deal by ensuring that projects are aware of the due diligence process and are ready to start before approval is sought to move to contracting.
- 6.5 For the Accountable Body elements Walsall Council will follow its Risk Management processes and procedures.

7. EQUALITY IMPLICATIONS

- 7.1 There are no direct equality implications. A key objective of the Strategic Economic Plan is to improve the skill and income levels and quality of housing and environment of all Black Country communities. The LGF, in conjunction with the wider City Deal and EUSIF proposals, will deliver an economic growth agenda which is pro-actively inclusive of disadvantaged communities. It is the role of the Programme Director to analyse the equalities impacts of projects and identify any gaps or issues that need

resolving to ensure that the overall programme is inclusive and effective at targeting a representative cross section of participants.

Background papers

LEP Assurance Framework Implementation Plan Pipeline Update – Advisory Board report
07th April 2015

Walsall Council Grants Manual and Financial Operating Procedures.

Attachments

None.

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