

Gloucestershire Strategic Economic Plan Delivery

Due Diligence Process

Prior to the issue of a formal legal Funding Agreement between GCC and the Organisation that will deliver the Growth Deal project, a formal Due Diligence process will be undertaken by GCC either directly or using consultant resources.

Due Diligence checks will be undertaken by GCC as the Accountable Body for all projects approved by the LEP under the Growth Deal. These checks will be in addition to GCC's role in providing accounting and reporting support to the LEP as well as responsibilities for requests under the Freedom of Information Act, dealing with complaints, and the provision of legal and other advice e.g. environmental, equalities, conflicts of interest etc.

The Due Diligence process presumes that all projects requiring Growth Funds will have undergone an appraisal as part of the LEP approval process. The prioritisation and programming of the projects is a matter for the GFirst LEP, although GCC will have provided initial advice on any implications on delivery.

The Due Diligence checks will therefore rely on the latest full appraisal (in some cases there may have been earlier appraisal stages e.g. strategic and outline for major transport schemes) that formed the basis for the approval of funds by the LEP. The checks will apply to all projects, be they skills transport or major schemes identified in the SEP.

Prior to the Funding Agreement which would allow for funds to be advanced and payments made, the following areas (also known as the Five Cases Methodology) will be examined as part of the Due Diligence process. Please refer to Annex H (previously K) for further information.

- Strategic
- Financial
- Economic
- Delivery
- Management

Strategic

The rationale behind the need and demand for the project will be examined, confirming the contribution to the SEP and local strategies and identifying any changes since the project was approved that might otherwise affect the consideration and approval of Growth Funds. Importantly the need for Growth Funds will be verified.

Financial

The latest detailed cost and funding profiles will be established and documented as these will form part of the Funding Agreement between GCC and the beneficiary Organisation. Checks will be made on the organisation's own accounting and audit arrangements. It may be appropriate to verify assumptions made for any income streams that could impact on a project's viability, as well as examining any ongoing revenue costs and funding.

Economic

Here the process will ensure that the preferred project has emerged from a robust consideration of alternative options (including do nothing) with clear and reasonable assumptions underpinning the identification of outputs, outcomes and impacts for options on which the Value for Money assessment for the project is based. Certain key output measures may be included in the Funding Agreement.

Delivery

The latest timetable for the project will be examined with key milestones identified for inclusion in the Funding Agreement. Checks will also be made to ensure that there are no constraints to delivery in the form of site ownership or rights, planning or other factors. The procurement process will be examined to ensure that this meets with EU rules and that the investment of public funds is State Aid compliant. The contribution to social value and the environment will be reviewed. The existence of a risk register and the arrangements for keeping this up to date will also be examined.

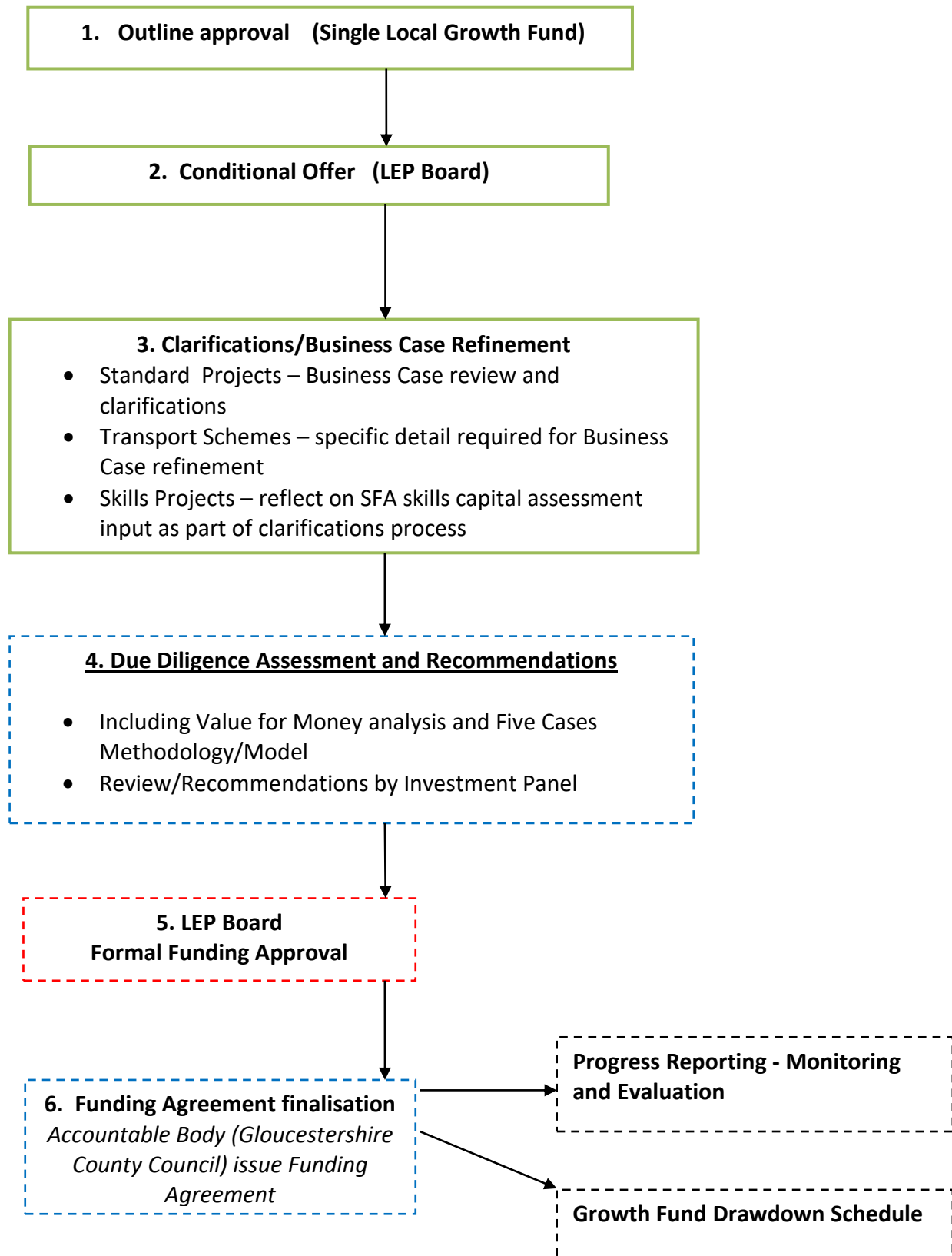
Management

Checks here will determine the nature of the Organisation receiving Growth Funds in terms of State Aid as well as financial checks as part of the Know Your Customer (KYC) principles. The resources and skills of the delivery team will be examined to satisfy the ability to deliver the project or multiple projects. Roles and responsibilities will be examined, including authorisation and delegation levels to individual officers, and the reporting arrangements. In the absence of a formal communications or marketing strategy the arrangements for publishing progress to stakeholders, client base and general public will be examined. The Funding Agreement may contain specific conditions in this area. Finally, the arrangements for capture and measure of both financial and economic benefits will be examined along with the reporting of these as part of a transparent and ongoing monitoring process, together with how these will be used in the evaluation of the project post completion.

The Due Diligence report resulting from the above will summarise the key components of cost/funding, key milestones underpinning the critical path for delivery and implementation of the project, and outputs/outcomes for inclusion in the Funding Agreement (envisaged as Schedules to a standard boiler plate agreement).

A more detailed list of the elements to be covered in the Due Diligence Report is included as an appendix.

GFirst LEP Assurance Framework: Business Case Refinement and Due Diligence



KEY
 Red outline – decision point
 Green outline – input from Project Promoters
 Blue outline – GCC Accountable Body

General	
Project	Name of the project
Promoter	Name of Organisation promoting the project
Contact	Name, email, telephone of primary contact for the project
Location	Physical location and/or geographic cover of the project
Description	Brief description of the project
Strategic	
Rationale	What is the rationale for the project – is this clearly set out in the Business Case and has anything changed since? Why is public funding in the form of Growth Funds necessary?
Need/Demand	Does the Business Case adequately address the need and demand for the project?
Aims	Which LEP objectives does the project address?
Fit	What other local strategies does the project fit e.g. LA local plan, Economic Strategies etc?
Financial	
Cost profile	Attach the latest cost profile with elemental breakdown
Funding	Attach the funding profile that matches the cost profile – indicate the source of all funding both public and private; indicate the status of funding e.g. spent/committed, approved, application submitted, TBA etc
Accounting	Set out the accounting arrangements e.g. how payments made (invoices or claims), who certifies for payment, where records are held, treatment of VAT etc
Audit	Set out Internal and independent audit arrangements
Post Project	Are there on-going cost implications and if so how will these be funded?
Viability	Is the project viable? Is there a reliance on income to support the project and if so are the forecasts reasonable?
Economic	
Options	What options were considered as part of the Business Case?
Outputs	Are there clear and reasonable assumptions underpinning identified outputs?
Outcomes	Are there clear and reasonable assumptions underpinning identified outcomes?
Impacts	Are there clear and reasonable assumptions underpinning identified impacts?
	Have distributional and social effects been taken into account?
VFM	Summarise the VFM indicators and results for the preferred option/project Has a Value for Money Statement been completed?
Delivery	
Timetable	Attach the latest project timetable identifying key milestones Is there a Gantt chart showing timescales for detailed elements? Confirm contract timescale Confirm implementation timescale
Site	Confirm ownership of the site and detail arrangements to ensure unfettered access e.g. covenants, rights of way, easements etc
Planning	Does the project have planning permission? Are there planning conditions that still need to be satisfied e.g. s106, ecology etc?
Environmental /Social Value	What aspiration is set out in the Business Case and to what quality standard? How evidenced? What contribution is the project likely to make to social value?

	What will be the environmental impact of the project and have potential opportunities for environmental enhancement been identified?
Procurement	Outline the procurement strategy – is this State Aid compliant? Basis for contractor selection: is this best VFM? Contractor checks including collateral warranties
State Aid	Does the investment provide a benefit to an undertaking in a way that is not recognised through an appropriate contribution? Is the investment covered by General Block Exemption Rules or any other EU approved notification? Confirm the investment of Growth Funds is State Aid compliant.
Risk	Set out Risk management strategy including allocation/transfer Confirm Risk register in place and arrangements for maintaining
Management	
Organisation	Set out the Status of the organisation receiving funds for State Aid purposes Undertake general finance check e.g. credit rating, KYC, money laundering etc
Capability	Does the delivery team possess the necessary skills and resources to deliver the project? Are there multiple projects that are the responsibility of the same team, and if so how managed with the project?
Governance	Are there clearly defined role responsibilities including authorisation and delegation levels? What are the reporting arrangements?
Communication	How will the project communicate with stakeholders, client base, public? Is there a marketing strategy?
Monitoring	What are the arrangements for monitoring for both finance and economic benefits?
Evaluation	How will the completed project be evaluated?
Summary	
Total Cost	Total capital cost of the project
Funding	Total Growth Fund, Other Public and Private Sector
Milestones	Key dates for the critical path for delivery and implementation
Outputs	Employment (new and safeguarded), Apprentices, Trainees, Land serviced, road constructed/improved, floorspace created, private sector investment etc
Outcomes	Increased GVA/other measures