

APPENDIX 2 COUNCIL CLIENT ARRANGEMENTS

1. OVERVIEW

The development and regeneration programme client will have a number of responsibilities:

- Develop and manage the programme;
- Property specific development leadership and management;
- Ensure that the council's technical requirements are met;
- Ensure that the business cases are commercially sound;
- Put in place profitable project development agreements;
- Manage the contracts and provider performance effectively.

The council's client is a virtual team drawn from a number of services and including some new posts that will provide capacity for:

- Forward Development Pipeline – to work with the developer and other council partners to co-ordinate the development of a forward programme of potential projects for inclusion in the programme which emerge from the Council's corporate plans and strategic partnerships, including Invest Herefordshire;
- Programme management – to work with the developer to identify and carry out options appraisals on proposed projects. Responsibility for the co-ordination of governance and decision-making processes for the programme;
- Commercial management – provide strategic direction to the developer to ensure that the programme delivers the council's objectives; use property specific professional and commercial knowledge to ensure that the development agreements meet the council's needs provide commercial challenge to the developer;
- Contract management – the management of contracts for each project and performance management of the developer will be the responsibility of the environment and place contract management team;

The programme will require additional capacity/support which will be provided by a mixture of established posts, new posts specific to the management of the DRP and Invest Herefordshire and externally commissioned services:

- Financial support to assess the business cases provided in preliminary development appraisals. This financial support will be provided by the council's finance team through a new commercial manager and, as required, externally commissioned services;
- Quantity surveyor support via a new corporate quantity surveyor role to assess proposals from the developer, ensure that development agreements are sound, and Property project management to manage all aspects of each development project from conception to completion including technical quality assurance of project delivery;

- Legal support – a long term commissioned relationship has been put in place with a specialist law firm; an internal client will be established to carry out project by project commissioning.

| Herefordshire Council Client | | Funding Assumptions/Estimates | |
|------------------------------------|---|----------------------------------|---|
| | | Capitalised against developments | Revenue costs (met from existing budgets) |
| Programme Management | <ul style="list-style-type: none"> • Programme Director – Housing and Growth • DRP Programme Manager • Growth Programmes Support Officer | £50k | £73k |
| Property and Commercial Management | <ul style="list-style-type: none"> • Strategic Development Manager • Quantity Surveyor/Project Delivery Manager | £146k | £44k |
| Technical Support | <ul style="list-style-type: none"> • Growth Programmes Technical Manager + Commissioned Technical Support | £115k | £15k |
| Financial and Legal Support | <ul style="list-style-type: none"> • Corporate Capital Accountant • Finance Team + Commissioned Financial or Legal Support | £140k | £0k |
| Contract Management | <ul style="list-style-type: none"> • Contract Manager • Senior Contract Officer • Contract Officer | £52k | £23k |
| | | £503k | £155k |

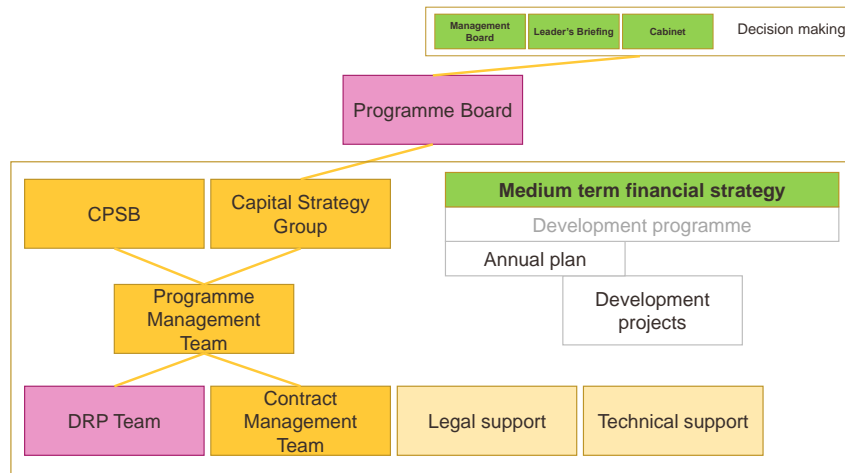
2. GOVERNANCE

A three stage new project approval procedure, illustrated in annex 3, applies so that:

- Stage 0 is a process which carries out options appraisal of a site (proposed project) and seeks approval for a site to be included within the programme (become a new project). Whilst stage 0 is primarily an internal council process, the developer will be expected to provide services to support stage 0 and will be consulted as part of the stage 0 process;
- The Stage 1 process seeks to progress the new project to receiving Cabinet approval for the design to be submitted for planning permission (on the basis of agreed initial costs and appraisals within the preliminary development appraisal);
- Stage 2 approval seeks to finalise the development appraisal and costs (taking account for example the discharge of any planning conditions imposed as part of obtaining satisfactory planning permission) in the form of a detailed development appraisal, (returning to Cabinet for approval for construction to commence if material changes have identified as necessary by the detailed development appraisal).

Internal approvals for the new project approval process will be obtained via the corporate property strategy board (CPSB) and the capital strategy working group (CSWG). The CPSB will ensure that proposed projects are in line with the council's property strategy and the CSWG will approve the business cases included in the preliminary development appraisal. This internal approval process will be supported by the council's programme management team and subject to timescales agreed within the overarching agreement.

DRP decision making and management



Once a project becomes a stage 2 approved project the council and the developer will finalise and enter into the development agreement for the project. This process will require legal support. This ongoing legal support has been procured by the Head of Legal and Governance. The bulk of the work will be commissioned from the external legal provider with the council's legal team providing an internal client for the work.

A diagram describing the implementation of the council's client team and showing the integrated contract management arrangements is included at annex 1.

The development and regeneration programme team (DRP team) is a joint team comprising the council's programme management team and representatives from the provider.

3. PROGRAMME MANAGEMENT

The programme management team is drawn from environment and place, housing and growth in environment communities and corporate, and adult wellbeing commissioning. It includes programme management, procurement, planning, contract management and housing expertise. The Programme Director – Housing and Growth will be responsible for the management of the Development Partnership, reporting to the Director ECC. 1 no. Programme Support Officer post has been proposed to support the DRP Programme and One Public Estate respectively under the direction of the Programme Director Housing and Growth

The DRP team will take accountability for the overall success of the programme, for managing the relationship with the partner and other stakeholders, and for taking projects through the new project approval process. The Programme Manager (Environment And Place) will be responsible for managing the DRP programme including governance under the direction of the Programme Director. They will ensure that the council and its advisors (from legal services, financial services and property and asset management services teams) provide responses and comments on the stage 1 and stage 2 submissions to the developer within the deadlines agreed in the new project approval process.

The programme team and CPSB and CSWG will assess whether the submissions have met the council's requirements and approve any recommendations likely to be made by the programme board to Cabinet.

Additional input may be sought from the Invest Herefordshire Board, which would be a consultee where input will inform and assist delivery.

4. PROPERTY AND COMMERCIAL MANAGEMENT

The council's development manager will be accountable for ensuring that the council client team has sufficient property focussed commercial and technical capability to:

- Provide strategic direction to the developer, ensuring that the development programme is realistic, meets the council's needs, and contains opportunities for which the development and regeneration programme is the most appropriate commissioning approach;
- Provide technical input to the council's stage 0 options appraisal;
- Ensure that the technical solutions offered by the developer provide best value to the council;
- Ensure that the council's technical feedback to the stage 1 and stage 2 submissions is timely and accurate;
- Ensure that the technical input to the development agreements (and any other property contracts) reflect the stage 1 and stage 2 appraisals;
- Ensure the technical assessment of liabilities for payments under contracts through the DRP and also the technical quality of delivered developments.

5. CONTRACT MANAGEMENT

The development agreements and any other contracts entered into as part of the programme will be managed by the environment and place contract management team (described in annex 2). The contract management team will be accountable for ensuring that the council and the provider meet their obligations in the contract. In particular, ensuring that deliverables are provided meet their specifications, deadlines are understood and observed, any contract changes are managed. The contract team will be involved in the development of all contracts relating to the programme (including the finalisation of the overarching agreement), and will be accountable for managing the programme's performance framework including ensuring that the provider carries out performance reporting and that all quality commitments are met.

6. LEGAL, TECHNICAL, AND FINANCIAL SUPPORT

Legal support has been procured from a specialist firm with significant experience supporting similar arrangements. This organisation will support the final discussions with the provider and their legal representatives, building up the knowledge required to provide ongoing support to the programme. They will then be available to help put in place development agreements for each of the projects in the programme.

A corporate quantity surveyor role is proposed. Technical support will initially be externally commissioned by the council's property management department to provide assurance of technical information provided by the developer and to support the stage 0 process if required.

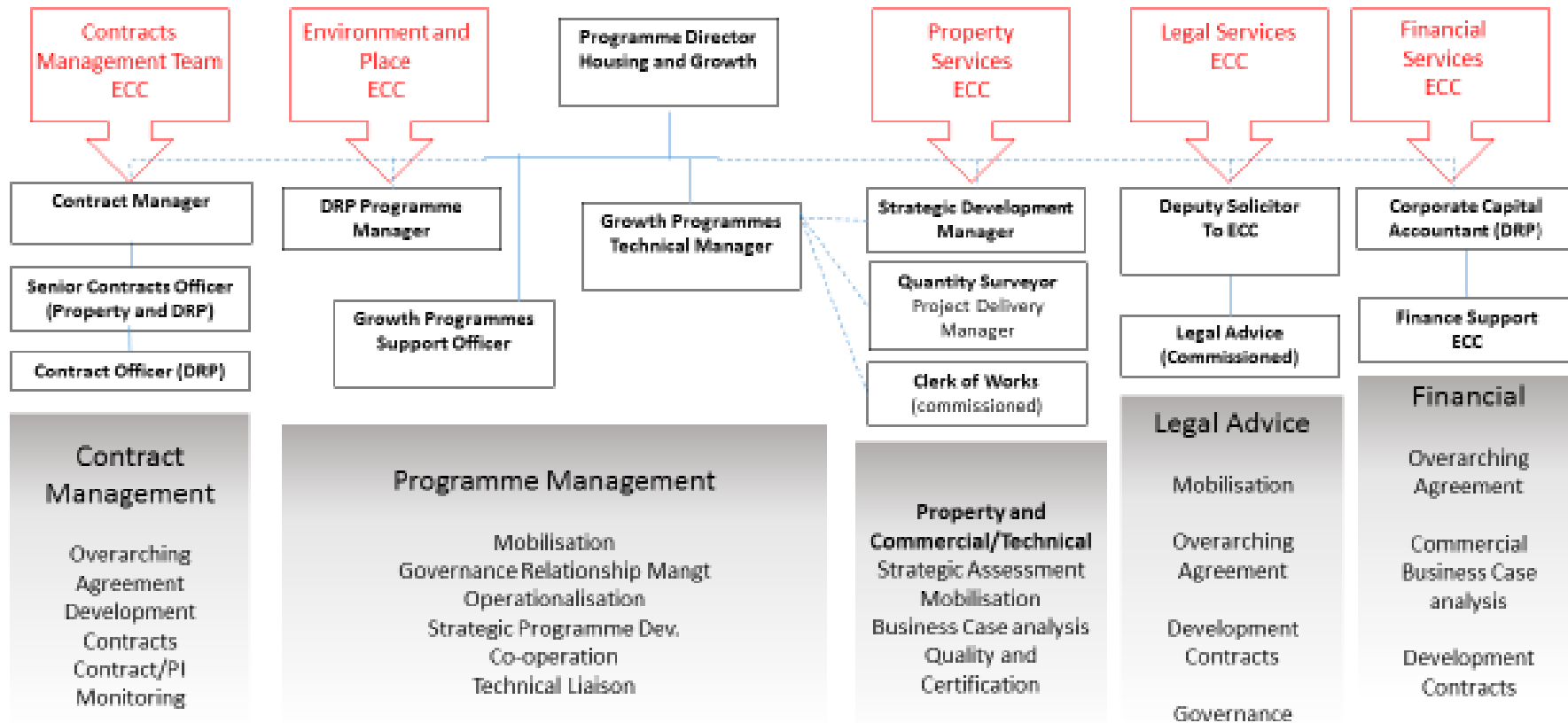
Financial support will be provided by a new corporate accountant (commercial), with the additional option of commissioning extra support subject to the scale of development/investment on a case by case basis commissioned by the council's head of corporate finance. The council's approach to managing capital projects is being reviewed. The project will work closely with the head of corporate finance to ensure that the programme's way of working is integrated into the new arrangements.

Estimates have been made regarding the client side costs that can be capitalised and are illustrated in the tables below. The staffing resource applied to the client-side management of the DRP will be kept under review to align with any significant growth in the overall development programme delivered through the DRP Partnership.

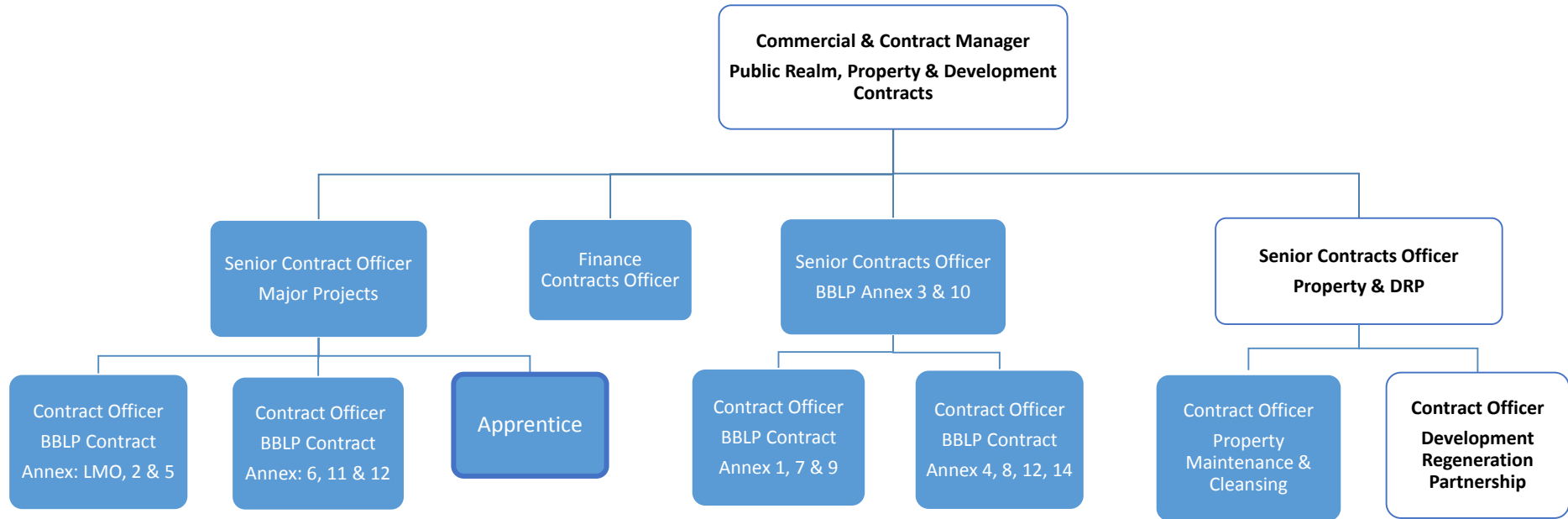
Annex 1 Development and Regeneration Programme – Council Client Arrangements

Development and Regeneration Partnership – Council Client Arrangements

Appendix 3



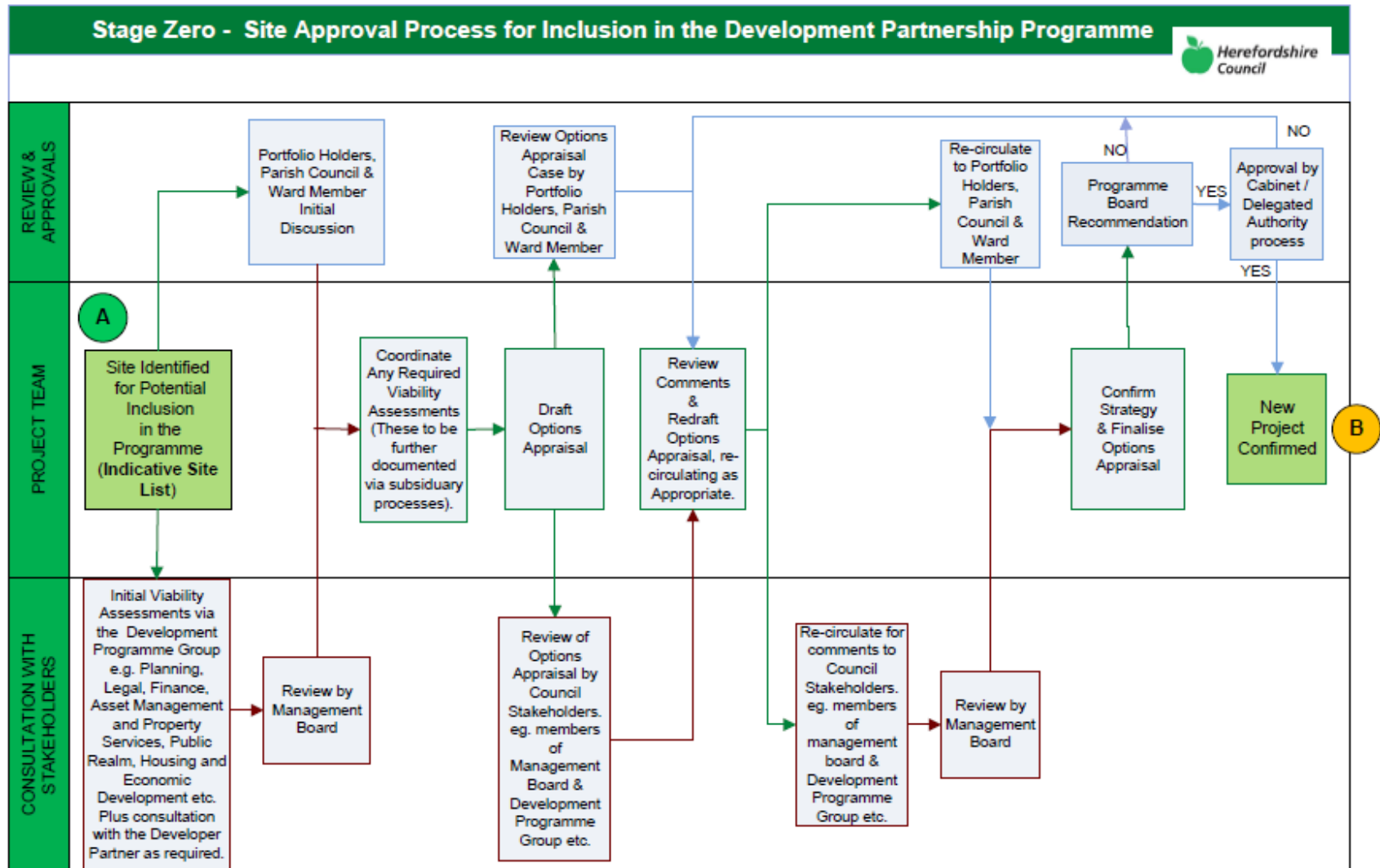
Annex 2 Environment and Place contract management team



Annex 3 Client costs

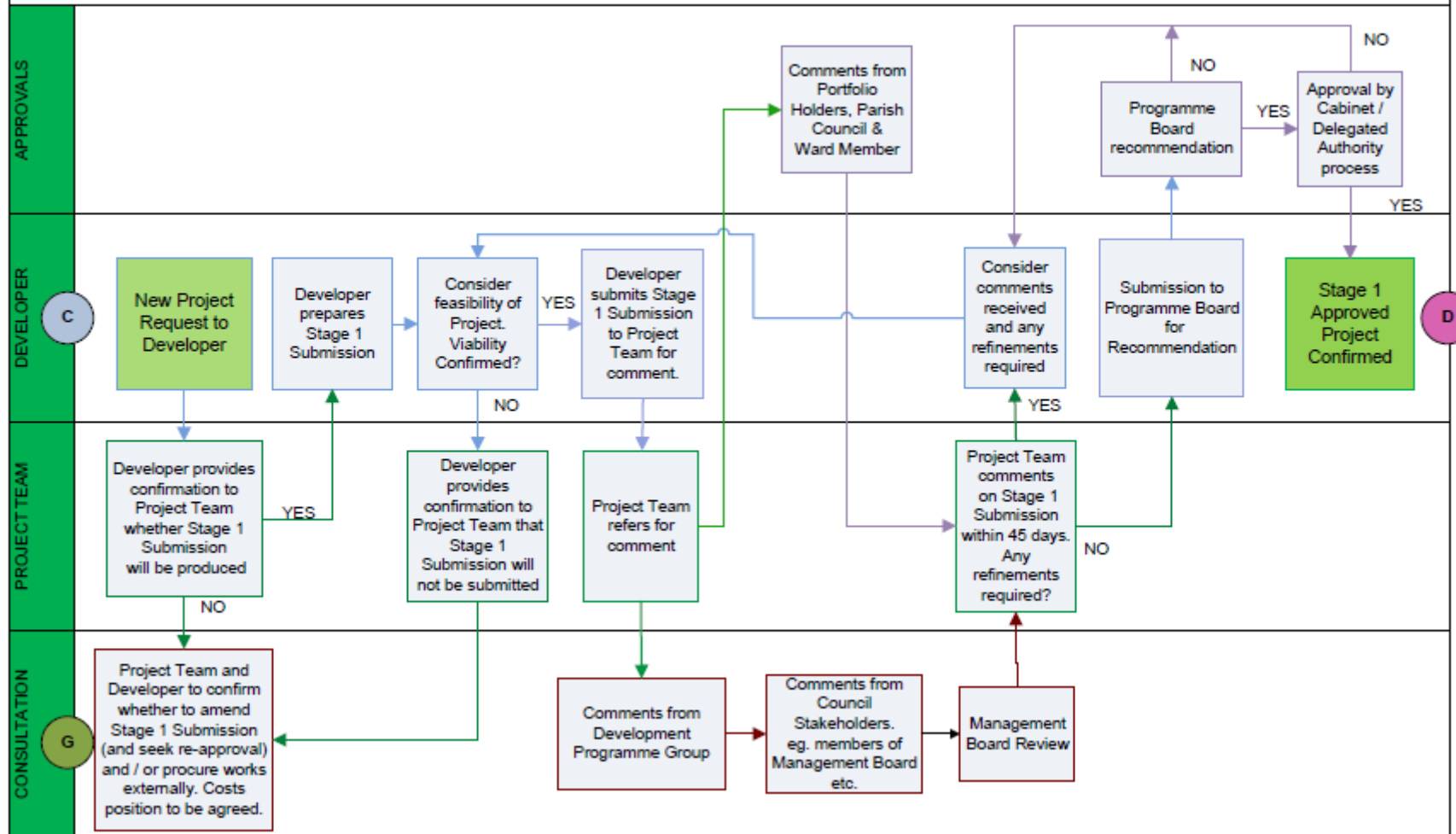
| Client Function | Total DRP Cost | Revenue Cost | Capitalised Cost |
|--------------------------------------|-----------------------|---------------------|-------------------------|
| Programme Management | £122k | £73k | £49k |
| Property and Commercial Managemement | £190k | £44k | £146k |
| Technical Support | £130k | £15k | £115k |
| Financial and Legal Support | £140k | £0k | £140k |
| Contract Management | £75k | £23k | £53k |
| Total | £658k | £155k | £503k |

Annex 4 three stage



process

Stage One - Project Approval Process (Preliminary Appraisal)



Stage Two - Project Approval Process (Detailed Appraisal)

