

Appendix 6

Overview of delivery models in-house and arms-length

In-house

Governance

This will define what departments (or contractors) will lead the different aspects of BNG delivery and confirm procedures for oversight and decision making. This will include:

- 1) **Internal project board design and set up.** With responsibility for the habitat bank this is the core governance arrangement. This will need to include:
 - a. Who sits on the board
 - b. What decisions are delegated to the board / held at BCP Council level. (e.g. agreeing the sales of units, key thresholds, pricing, identifying new sites etc)
 - c. What decisions the board delegates down to officers
 - d. What decisions / actions will be outsourced to contractors
 - e. Roles within the board, frequency of meeting and relationships with other key stakeholders across the council
 - f. Frequency of reporting to Operations Directorate Management Team and / or Corporate Management Board
 - g. This process may also include setting an outline business plan to be signed off from time to time at a governance / council level
- 2) **Internal council financial governance.** This is needed to define how / what “financing” will be provided, and how cashflows will be managed. This will need to support / interact with the internal project board and in practice at least one representative may span both groups. Once the procedures have been established it may be dissolved and delivered by the main board and officers. This board will review all financial analysis and make ultimate decisions on how to proceed.
- 3) **Governance other**
 - a. Tax advice – to support tax teams on the receipt of BNG and to ensure this is clear for the council to deliver
 - b. Conflicts management policy
 - c. Ensure that BNG delivery remains in line with cost recovery as required by the Localism Act 2011

Operational

- 1) Identification and assessment of potential sites
 - a. Assess council-owned landholdings for suitability
 - b. Carry out baseline habitat surveys
 - c. Intervention mapping and detailed costings
 - d. Comparative assessment and shortlisting / selection
- 2) Financial planning and risk management
 - a. Suitable market research to support decision making (e.g. demand mapping)
 - b. Develop a suitable financial model for project economics: capital costs, long term management costs and pricing of units
 - c. Carry out a financial risk assessment
 - d. Seek financial sign off to proceed

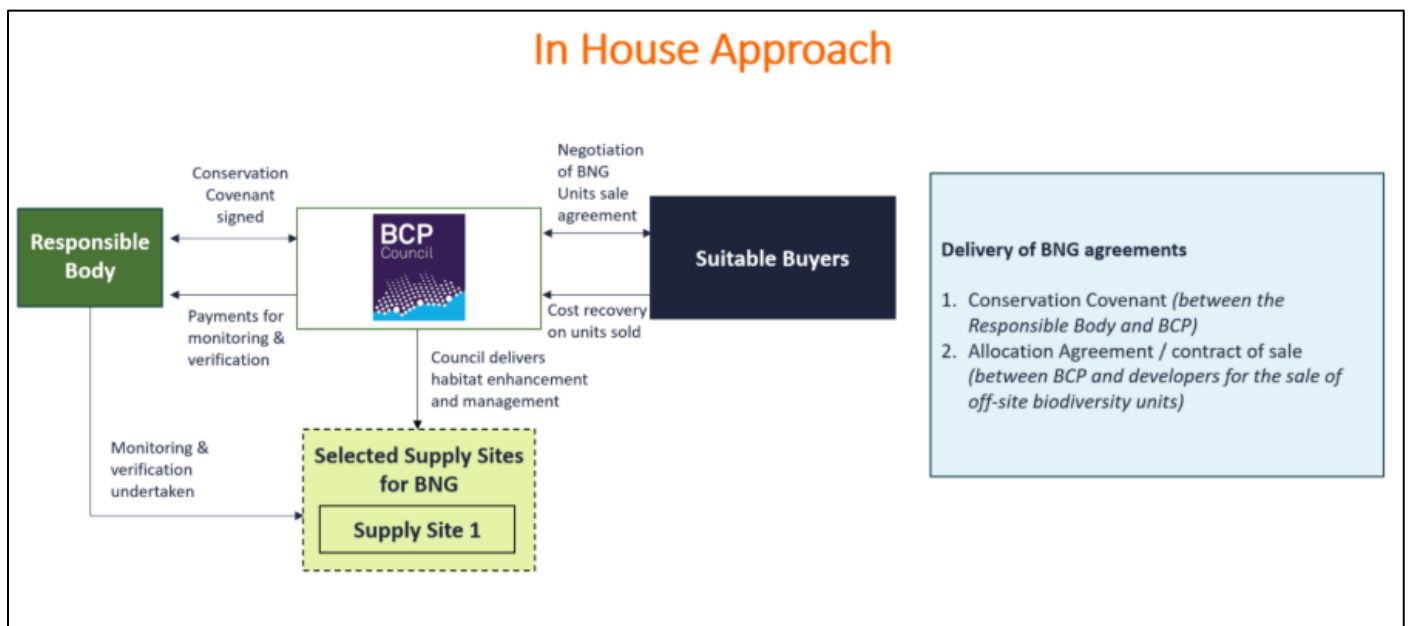
- 3) Preparation of Suitable Sites
 - a. Commission the creation of a Habitat Management and Monitoring Plan (HMMP)
 - b. Identify a Responsible Body to partner with to deliver a conservation covenant
 - c. Final sign off on documentation prior to commitment
- 4) Confirm long term treatment of biodiversity units with board
 - a. Including a treasury management function
- 5) Final council Approval
- 6) Establish a Conversation Covenant
- 7) Register the site on Biodiversity Gain Site Register
- 8) Allocate units to target developments

Additional

Every year it will be required that a step is taken to review and audit costs and potentially revise the unit price to include inflation.

Illustration of an in-house approach produced by Finance Earth

This outlines how habitat restoration and sale of BNG units can be undertaken without the use of an SPV.



Arms-length

Governance

- 1) SPV design
 - a. Confirm SPV legal and corporate structure (options may include Company Limited by Guarantee, Company Limited by Shares etc)
 - b. Confirm key legal agreements and contracts required for establishment
 - c. Confirm tax implications for the new company
 - d. Confirm whether key legal, finance and accounting services will be outsourced or undertaken by council teams
 - e. Confirm insurances required such as, D&O insurances
 - f. Confirm key Director memberships
 - g. Review costs of set up and management
 - h. Appoint legal and tax advisors as and if required
- 2) SPV establishment
 - a. Appoint directors drawn from officers and/or members
 - b. Adopt Articles of Association and a Member Agreement defining purpose, delegations, and reinvestment policy
 - c. Register with Companies House
 - d. Set up an operationalise company bank account
 - e. Secure initial council seed funding to deliver first habitat projects before unit sales commence.
 - f. Register with HMRC – VAT and corporation tax
- 3) Board and oversight
 - a. Appoint the board with ecological, finance, and governance expertise
 - b. Define reserved matters for council approval and clear reporting to BCP Council
 - c. Approve an initial business plan
- 4) Financial governance
 - a. Maintain separate accounts and a ring-fenced maintenance account for 30-year management obligations
 - b. Reinvest any surpluses into local nature recovery and climate-resilience projects

Operational

- 1) Identification and assessment of potential sites
 - a. Assess council-owned landholdings for suitability
 - b. Conduct baseline habitat surveys
 - c. Intervention mapping and detailed costings
 - d. Comparative assessment and shortlisting / selection
- 2) Financial planning and risk management
 - a. Suitable market research to support decision making (e.g. demand mapping)
 - b. Develop a suitable financial model for project economics: capital costs, long term management costs and pricing of units
 - c. Conduct a financial risk assessment
 - d. Seek financial sign off to proceed
- 3) Preparation of suitable sites
 - a. Commission the creation of a Habitat Management and Monitoring Plan (HMMP)
 - b. Final sign off on documentation prior to commitment
- 4) Prepare key draft legal agreements

- a. Management services agreement between the council and the arms-length company to conduct habitat restoration and maintenance activities on the sites
 - b. Lease agreement between the council and arms-length company
 - c. S106 Agreement between the council and arms-length company
 - d. Sales and transaction agreement between the buyer and HBV
- 5) Final council approval
 - a. Publish public notice
 - 6) Enter into key legal agreements
 - 7) Register the site on biodiversity gain sites register
 - 8) Allocate units to target developments
 - 9) Review
 - a. Hold regular board meetings to review the company business plan, financial risk, forward-looking strategy

Illustration of an arms-Length approach produced by Finance Earth

This outlines how an arms-length HBV may be structured to manage habitat banks on council-owned land.

