Market Improvement Fund

STRATEGIC PANEL & Committees

Market Improvement Fund

Project Selection and Governance Document

Contents

Introduction

The Market Improvement Fund (MIF) exists to fund innovative projects that will benefit the non-household water market and its customers. Providing benefits to non-household customers is an integral part of the purpose of the MIF and confirmation of delivery of benefits to customers forms a key part of the applicant evaluation process. Similarly, the assessment process will take into account the positive customer impacts delivered by the project.

This document details the governance of the MIF including the rules and regulations relating to the application process, funding criteria, project selection, project delivery and administration of the fund. This document is ancillary to Section 9.6 of the Market Arrangements Code (MAC) which has overriding authority.

Background

The Wholesale Retail Code (WRC) change proposal CPM018: 'Treatment of MPS charges and OPS charges' was approved by Ofwat on 17 December 2019 (implemented 1 January 2020), meaning some, or all, of the Market Performance Standards (MPS) and/or Operational Performance Standards (OPS) charges could be used to fund special projects.

MOSL was requested by the Strategic Panel on its behalf to:

1. Define, develop and implement a governance structure for the end-to-end management of the fund
2. Manage the governance of the fund.

This document, and the associated documents in the section below, meet deliverable item 1 and form the governance framework for the fund.

The governance framework will establish and maintain the running of a 'Market Improvement Fund' (MIF). The MIF will operate through a series of separate 'funding rounds', with each round awarding funds to successful applicants in accordance with the agreed governance process.

The Strategic Panel also has the ability to select and fund special projects outside of the MIF Framework but still in accordance with Section 9.6 of the MAC. This document sets out governance arrangements covering any such projects.

Associated documents

The following documents are to be used in conjunction with this document:

- Market Improvement Fund Application Form and Guidance – For applicant completion to apply for funding and provide guidance on completing the application form (having also referred to The Applicant Handbook, Terms and Conditions and Privacy Notice)
- Market Improvement Fund Publicity Material – Material including, but not limited to, the MOSL website MIF page, press release information, *Market Focus* article(s) and email communications from MOSL.

Applicants should familiarise themselves with these documents to ensure their applications meet the expected standards.

Roles and Responsibilities of MIF stakeholders

This section sets out the responsibilities for each group in the operation of the MIF. These roles and responsibilities will be reviewed on an annual basis.

Strategic Panel

- Approve the MIF Project Selection and Governance document and all subsequent changes (as recommended by the MIF Project Team)
- Approve the membership of the MIF Selection Committee
- Approve the total funding amount (£), timing of application period, and minimum/maximum financial limits for bids for each 'funding round' of the MIF, as recommended by the MIF Project Team including amounts allocated for potential follow-up funding of successful projects
- Final approval of the successful applicants for each round of the MIF (as recommended by the MIF Project Team on behalf of the MIF Selection Committee) including the amounts awarded, payment timing and any conditions attached.

MIF Project Team (set up and run by MOSL)

- Review and agree all proposed changes to the MIF Project Selection and Governance document(s) for recommendation to the Strategic Panel
- Approve on behalf of the Strategic Panel all other documentation in relation to the MIF as set out in the Associated documents section, providing such documentation is in accordance with this MIF Project Selection and Governance document
- Review the total funding amount, timing, and minimum/maximum financial limits for bids for all stages of each funding round of the MIF and make recommendations to the Strategic Panel for final approval.
- The MIF Project Team will include MOSL's Finance Director and Head of Legal and Governance.

MIF Selection Committee

The MIF Selection Committee will be selected by a process determined by the Strategic Panel.

The MIF Selection Committee will have at least four Strategic Panel members, with at least three required to be quorate. The Strategic Panel members will include:

- A retailer representative

- A wholesaler representative
- A customer representative

At least one independent member.

Where a representative on the Selection Committee is employed by a bidding party including any delivery partner(s), they will not be able to be involved in the assessment of any bid from such party.

The Selection Committee will be able to co-opt additional members with specific expertise to assist with the selection process.

The MIF Selection Committee is responsible for evaluating project applications and for making recommendations of proposed successful applications, including amounts awarded, timing of payments and any conditions attached, for final approval by the MAC Strategic Panel.

The MIF Selection Committee will also:

- Review project progress updates and approve any fund payments to successful bidders which are contingent on specific criteria, as agreed at the time of award.
- Agree and approve actions required to recover any funds which are required to be reimbursed under the terms of their award.

Market Operator (MOSL)

As Market Operator, MOSL will:

- Carry out any role and activities as requested of it by the Strategic Panel in accordance with Section 9.6 of the MAC and this Project Selection and Governance Document
- Set up and run a MIF Project Team
- Provide secretariat services to the MIF Selection Committee
- Promote and run each round and each stage of the MIF, including an initial review of all applications to assist the MIF Selection Committee
- Hold and distribute all funding relating to the MIF

- Carry out any agreed post-award audit of successful bids as part of its responsibilities for Market Audit, report findings through the MIF Project Team and make recommendations
- Audit activity in respect of any projects for which MOSL is an applicant will be co-ordinated directly by the MIF Project Team
- Contract with successful applicants under a signed agreement(s), in accordance with the final agreed Terms and Conditions.

MOSL will not:

- Perform any review procedures in respect of any funding bids with which it is a potential financial beneficiary or be involved in any way that could be or be perceived to be having a conflict of interest.

Applicant Organisation or Applicant

- This term will apply to any organisation that applies for MIF project funding
- Eligible organisations include market trading parties and MOSL
- Any other third party can also be an eligible organisation providing it is a co-applicant alongside a sponsor organisation.

Sponsor Organisation

- A sponsor organisation or “sponsor” can be one or more of either a trading party or MOSL.

Size of the fund and timing of funding rounds

For each funding round, the MIF Project Team will agree the following key characteristics and recommend these to the Strategic Panel for final approval.

These characteristics will be approved a minimum of two months prior to the bid window opening for each funding round. The details will be published on the MIF page of the MOSL website and within the appropriate Strategic Panel papers.

Total funding round allocation – the maximum size of the funding allocation that can be awarded. The allocation will be limited to a maximum of the amount of performance charges (under the Market Performance Framework) collected by MOSL by the date the funding round opens.

The amounts allocated to a funding round will include, separately identified, amounts available for follow-on funding to successful projects, subsequent to the initial award. This element of the funding round will be known as the 'Booster Fund' and is intended to provide further funding to projects which have been deemed successful and where this an opportunity for further funding to increase benefits and value to the non-household market and its customers. The Strategic Panel will agree for each funding round the time period during which applications must be submitted for access to this Booster Fund.

Any amounts not allocated to the fund will be redistributed to trading parties each year in accordance with the normal timetable as per Section 9.4.1 of the MAC.

Any amounts allocated to a funding round but then not awarded to a project, will be retained and considered for utilisation by the Strategic Panel in the subsequent funding round. Any unused amounts after the allocation for the subsequent round will redistributed to trading parties at the next available opportunity in accordance with the normal timetable as per Section 9.4.1 of the MAC.

Amounts unspent and reimbursed to the MIF by projects will be held by MOSL, tracked separately and then redistributed back to trading parties as part of the next annual redistribution payment in the same proportion as if they had not been allocated to the MIF in the first instance.

Timing of funding round – the dates by which the bidding round opens and closes, successful bids are announced, and initial payments are made.

Minimum and maximum bids – the financial minimum and maximum of funds that each individual bid can apply for.

Application process

Application Submission Window

There will be a window (currently ten days) for submitting applications for each funding round, the dates of which will be communicated at least six weeks before the window opens. The dates will be agreed for each round by the Strategic Panel as noted in the previous section. Bids received outside of the application window will not be accepted.

Application Form

Applicants must complete the application form as laid out in the Application Form and Completion Guidance document, which will be published on the MOSL website. These will need to be submitted to MOSL through the agreed process set out for each funding round. This is expected to be via email (using MIF@mosl.co.uk).

Supplementary information can be added to the application appendices but must also meet the prescribed formats. Applications that do not comply with the prescribed formats and submission dates will be rejected.

Material Completion of the Application Form

An administrative team from MOSL will handle all applications at the point of their submission and review them to ensure they are submitted in the compliant format and meet all mandatory criteria as set out in this governance document. Applications which are clearly not in compliance with the market code requirements in terms of the Application Criteria set out in the section below will be rejected.

Receipt will be confirmed and applicants will be contacted to ask for additional information and clarity within two weeks of receiving an application, if required.

Only applications which are materially complete will be considered by the MIF Selection Committee.

Application Criteria

Applicants to the MIF are required to meet the criteria set out in Section 9.6.2 of the MAC in order to be eligible for consideration. These are as follows:

(a) Any project or activity should enhance market functioning and benefit non-household customers;

(b) Any project or activity would not be considered to be business as usual or a project or activity that would ordinarily be undertaken by the Market Operator (MOSL) or other parties.

(c) Any project or activity would be expected to deliver benefit to the market in general and not confer any particular competitive advantage to any trading party or groups of trading parties.

Applicants must demonstrate how their projects will deliver measurable, tangible benefits to non-household customers, addressing specific market challenges or opportunities. Failure to clearly outline the customer benefits may jeopardise the project's chance of selection.

The assessment of eligibility against the above criteria will be made by the Selection Committee. In assessing whether an activity is 'business as usual' the Committee would be expected to consider whether the activities are a clear obligation under the market codes and/or are an activity carried out on an annual or recurring basis. Such activities would typically be expected to be 'business as usual' and not eligible. Activities which are included within the budget of the Market Operator (MOSL) would not be considered eligible.

Applicants must also meet the criteria set out above for them and Applicant Organisations and for Sponsor Organisations in this document. MOSL will review all applications to assess compliance with these mandatory criteria.

Application review and fund awarding process

Application Review

Applications will undergo initial checks by MOSL to ensure they are complete and to consider whether the mandatory criteria have been met – with further information requested if necessary. The overall decision as to whether a project is eligible is made by the MIF Selection Committee.

The MIF Selection Committee will evaluate all submissions and allocate a score against each. The score will be used to rank each application to help determine which should be successful. The MIF Selection Committee may request presentations on shortlisted applications from their applicant or sponsor organisations.

The MIF Selection Committee encourages any applicant who is invited to present their submission to consider using customer testimonials or involving customers in the presentation to support their bid. This could include the customer sharing their experience or emphasising positive benefits expected from the project, such as service quality, or cost-effectiveness for non-household customers.

The MIF Selection Committee is responsible for assessing which applicants should be recommended for awards by considering both the ranking applied and the total score allocated. There is no minimum score required to be recommended for an award. However, the total awards recommended cannot exceed the total size of the allocated fund for any Funding Round.

All applicants will receive notification of the result of their applications. Unsuccessful applications will be provided with a brief summary as to why their application was rejected.

A list of successful applications together with a brief summary of why they were successful will be published on MOSL's website at the conclusion of each funding round. This will assist future applicants in submitting a successful bid.

Application Evaluation

The MIF Selection Committee will evaluate applications and determine scores against the following categories:

- Benefits – description, and appropriate supporting evidence, for the anticipated benefits/outcomes of the innovation if adopted by the industry for the market and the non-household customers. Each application must explicitly detail how the proposed project will enhance the experience, service quality, or cost-effectiveness for non-household customers in the water market
- Financial – appropriate business case with clear articulation of benefits vs cost, and evidence of value for money in how the project will be delivered
- Delivery confidence – assessment of managerial commitment and ability to deliver a successful project, including sources of funding required outside the MIF.
- Alignment with the Strategic Panel Roadmap – clear explanation of how the project aligns with the aims of the Strategic Panel's [Roadmap to a Flourishing Market] and supports delivery, either directly or indirectly. An evaluation against this category will consider how innovative

the aapproach is, and how directly it meets customer needs, reduces customer pain points or addresses the theories of harms identified in the Roadmap.

More detailed guidance will be provided in each category within the [Application Form and Completion Guidance document](). Scoring will assist the MIF Selection Committee to prioritise the applications and make recommendations about which applicants should receive funding.

The MIF Selection Committee will have the discretion to make recommendations which do not align fully to the ranking of applications under the scoring system if such decisions can be clearly justified as being in the interests of the market and its customers and in accordance Section 9.6 of the MAC (following CPM018). All recommendations are subject to final approval by the Strategic Panel.

The MIF Selection Committee will provide the Strategic Panel with a list of recommended awards and the rationale for their selection.

As well as making recommendations for successful applications the MIF Selection Committee, with appropriate support from MOSL, will also agree the approach to the following for each award which will be finalised in the award agreement:

- Timing of payment – one payment or series of staged awards
- Conditions required to be met prior to any staged payment being made – including performance conditions or evidence of delivery
- Any activity specifically excluded from being funded
- Additional specific progress reporting requirements over and above those proposed within application.

Successful projects

Successful applications will be individually notified by MOSL. The award of funds will be subject to completing appropriate financial and legal due diligence procedures. These procedures will be carried out by MOSL in accordance with the funds award timeline referred to in the section below.

Final award of funds will take place once the final Funding Agreement has been signed by all applicants for the successful bid as well as MOSL. All successful awards will be published on the MOSL website.

Funding round timeline

Each funding round will be subject to a series of stages. The timetable for each round will be set by the MIF Project Team, with the application round opening and closing dates (generally referred to as the “bidding window”) approved by the Strategic Panel.

Applications which include MOSL as an applicant

Where an application includes MOSL as one of the applicants, additional safeguards are required to ensure there are no actual or perceived conflicts of interest within the decision-making process.

For any MOSL application recommended for award by the MIF Selection Committee, a paper will be provided to the Strategic Panel, setting out the rationale for its selection and the highest scoring application which was not judged to be successful by the MIF Selection Committee.

Post-award project governance

Each project will be expected to adhere to a governance regime from MOSL through the MIF Project Team, as appropriate for its size, risk and complexity.

This governance is not intended to replace internal project governance or the project management methods of successful applicants, but to provide an added layer of reassurance that funds are used in accordance with the original application and contract agreed with MOSL.

Applications will require a proposed project monitoring and reporting structure, under which the project can provide MOSL and the MIF Selection Committee with regular updates on progress. These should cover amounts spent, deliverables achieved, and benefits realised. The MIF Project Team will summarise progress and any issues on a quarterly basis to the Strategic Panel, as well as providing access to the original reporting from the project teams.

Should there be any major change to the project plan from that originally included in the application bid, then this should be notified to the MIF Project Team in advance and approval sought prior to any actions that would change the way the funding is being utilised. Where considered a significant change in project scope or timing, the MIF Project Team will obtain approval from the MIF Selection Committee.

Fund attribution

The MIF logo is to be used when MOSL issues communications regarding the Market Improvement Fund. The logo is not required in MIF-funded project outputs; however, it is encouraged. Any MIF output (e.g. reports, white papers, webpages) must, however, specify in the foreword, front cover, or introduction that it is funded fully, or partially, as the case may be, by the Market Improvement Fund. The wording to be used is as follows:

"This project is funded by the Market Improvement Fund. The Market Improvement Fund was set up to fund innovative projects that will benefit the non-household water market and its customers. The fund is overseen by the Strategic Panel (including project selection, funding allocation and progress of work) and administered by MOSL."

If there is any deviation from this wording, this must be approved by the Market Improvement Fund Communications Lead before publication. Please note: the MIF is not MOSL's fund.

Payment Milestones

If the project plan includes staged payment milestones, the project manager will need to present appropriate evidence, as detailed in the project application and contract, to release the relevant instalment of funding. The evidence required will be set out in the award agreement.

Payment and tracking of payments

Payment of awards will be made by MOSL to the sponsoring entity within each applicant group. The sponsoring entity will be either a trading party or MOSL. The sponsoring entity is responsible for maintaining records of all receipts and payments to suppliers, and for maintaining and providing any evidence required as part of any audit activity carried out on the project.

Booster Fund

The Booster Fund aims to provide second stage funding to projects where the first stage has been successful but is at an early stage and might still find it challenging to obtain further funding. These projects would be expected to demonstrate that with the Booster Fund they can deliver high value to the market but not have sufficient funding to expand and scale up to the wider market.

The funding should be set as a proportion of the related main funding round with this to be decided by the Strategic Panel each time. The Strategic Panel should also agree the time period during which applications can be made (with respect to the date of the initial funding round bidding window).

Applications to the Booster Fund are to be submitted by the project sponsor to the MIF Selection Committee in the form it specifies. In addition to meeting the mandatory criteria, these applications will be expected to demonstrate that:

- the original project deliverables have been achieved
- the benefits and/or value delivered to that point are in line with the expectations when the project was approved (including where relevant, feedback from customers, trading parties or other relevant stakeholders)
- clear metrics exist to show how the project is delivering value to non-household customers, and what additional customer benefits are expected
- the set of deliverables the new funding will be used to achieve
- the evidence that this delivery will generate further value to the market, supported by a clear business case.

Project Closure

All approved projects must go through a formal project closure stage on completion of the deliverables. A final summary should be submitted which sets out the following information compared to the plan in the original application:

- Detailed breakdown of project spend and how the funding has been utilised
- Deliverables achieved
- Benefits realised to date for the market and the non-household customer
- Future forecast benefits for the market and the non-household customer.

Any unspent funds should be clearly set out and returned to the fund via MOSL within two weeks of the final report being issued or project completed if that is later. The stage at which a project is judged to be ‘complete’ should be defined within the project’s funding application.

Intellectual Property Rights (IPR)

The applicants must explain their approach to agree fair and reasonable terms for the future use of any IPR and commercial products developed as a result of the Market Improvement Fund.

The MIF distinguishes between “background IPR” and “foreground IPR”:

“IPR” shall mean any copyright and related rights, patents, rights to inventions, registered designs, database rights, design rights, topography rights, trademarks, service marks, trade names and domain names, trade secrets, rights in unpatented know-how, rights of confidence and any other intellectual or industrial property rights of any nature including all applications (or rights to apply) for, and renewals or extensions of such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.

“Background IPR” is pre-existing IPR, which exists prior to the submission of any bids to the Fund.

“Foreground IPR” is all IPR that is created by applicants through a project funded by the Fund

Each applicant should retain all rights in and to its background IPR, including where a bid involves more than one applicant. However, an appropriate form of licence should be granted to all applicants and participants in any project, which is the subject of a bid, for the sole purpose of the project, in order to enable it to go ahead.

With regards to the ownership of foreground IPR, where a project funded through the MIF involves more than one applicant, then any jointly created IPR should be shared proportionately as agreed by the project applicants, however where any IPR is created independently by one of the project applicants then it should be owned by the applicant who created it rather than by all the project applicants.

All project applicants will be required to grant to all trading parties and MOSL (whether currently existing or in the future) in England and Wales a non-exclusive, perpetual, sub-licensable, irrevocable, royalty free licence to use it within the non-household water market.

Applicants will be able to propose alternative IPR arrangements, which will be considered on a case-by-case basis by the MIF Selection Committee. In such cases, it will be important for the bid to clearly show how the project will benefit all customers in the non-household water market and that any alternative arrangements do not result in additional costs to customers.

Data Protection

Where projects utilise market data, whether that is sourced from central systems, trading parties or other sources, this will need to adhere to both relevant data protection legislation and the stipulations of the MAC, notably Schedule 13. Applicants should ensure their bids address any potential data protection risks and MOSL's Legal team will additionally assess this for any successful bids to ensure that appropriate legal agreements and provisions are put in place in advance of any project commencement. Where a project involves complex data sharing or processing arrangements, this may require additional time for such due diligence.

Funding

Funding components

For each application, a breakdown of the total sources of funding expected, including that from the MIF, will be required.

Applications will be expected to provide evidence that provides a reasonable level of confidence over the sources of funding, outside of the MIF. Co-funding in particular, via another third party such as the Ofwat Innovation Fund, would only be accepted if such funding is already in place or if alternative sources are in place should such funding not be obtained.

The level of confidence over funding will form part of the assessment in the 'Delivery confidence' section of the application evaluation and scoring.

Application bid minimum and maximum

The minimum and maximum application values for projects in each funding round will be agreed by the MIF Project Team and approved by the Strategic Panel.

Allowable expenditure

Each application must clearly demonstrate what cost elements of the project will be funded by the MIF award compared to other sources of funding.

MIF can be used to fund the following types of expenditure **when directly incurred for the benefit of the project:**

- Salaries
- Consultants
- Equipment
- Other project activities.

The MIF **cannot fund** the following types of expenditure or any costs not directly incurred for the benefit of the project (e.g. allocation of overheads):

- Activities that confer competitive advantage to any trading party or groups of trading parties.
- Activities that would otherwise be funded by the government
- Religious or political activities
- Retrospective costs
- Loan repayments.

Expenditure should be net of all discounts and rebates.

Costs of running the fund

MOSL will perform its roles and responsibilities as described in the Roles and Responsibilities of MIF stakeholders section of this document. In general, MOSL will perform the related tasks using resources and funding from its annual budget.

There may be occasions where additional activity is required as part of the running of the fund, which would not be part of the typical annual running costs or which are one off in nature. For such instances, these costs will need to be funded through the Market Improvement Fund itself.

The MIF Project Team will approve any such activity before MOSL undertakes it or makes any related financial commitment, providing supporting evidence of the cost, rationale and value for money. The MIF Project Team shall approve such expenses in advance and these will be deducted from the available funds for the next Funding Round. All such costs will be reported to the Strategic Panel on at least a quarterly basis.

Examples of activity which could require funding through the MIF itself could include:

- External legal advice and support in relation to the negotiation and completion of legal agreements with award winners, including more complex areas such as appropriate contractual terms relating to Intellectual Property rights or data protection
- Administrative support of the MIF during a funding round
- External specialist advice to assist the MIF Selection Committee in the assessment of a large value application, to provide for example, further assurance over potential benefits or technical feasibility.

VAT treatment of the fund

MOSL is responsible for ensuring VAT is appropriately accounted for in the charging of MPS and OPS, the redistribution, and the utilisation of funds for projects under CPM018.

In January 2020, MOSL received confirmation from HMRC that both the charging and redistribution of MPS and OPS was outside the scope of VAT, to the extent that all amounts charged and collected are redistributed.

HMRC also confirmed the following in respect of CMP018:

‘The funding of special projects under the proposals for CPM018 is a taxable supply made by MOSL to the members. The payment made by the members has a direct link to a specific service that is being provided, as the payments are used to fund a specific activity for the benefit of the industry. This would fall within MOSL’s business activities and input tax (for MOSL) would be recoverable, and vice versa for the members.’

Furthermore, in respect of the timing of payments, HMRC confirmed the following:

‘The time of supply for the project funding under CPM018 as occurring at the point at which the individual members redistribution calculations were made less the amount retained, with VAT to be charged on the retained amount, as at this point there will be certainty over how much is retained, how much of the funding has been allocated to the individual members and what it will be used for.’

Method used to invoice for the funding of special projects:

‘As per your presentation I have no objections to the amount for the funding of special projects (plus VAT) to be netted off against any redistribution of charges made.’

Given the confirmation provided, the treatment of VAT for the MIF is proposed as follows:

- No VAT applied on MPS and OPS charged by MOSL, as these are outside the scope of VAT at the time of charges being issued
- At the point of redistribution, all amounts will be credited to trading parties – and such amounts will also be outside the scope of VAT
- However, at the same date as this redistribution, MOSL will calculate the amounts awarded by the MIF, that have been funded by MPS and OPS charges from that same financial year
- Such amounts will be allocated and charged to each trading party, with VAT being charged on such amounts
- The amount received by each trading party will be the net of (a) amount of MPS and OPS to be redistributed (with no VAT applied) less (b) a charge for the amount of MIF funding allocated to that trading party (with VAT applied)
- Should all MPS and OPS charges be used to fund the MIF, then there will be a net payment due by trading parties to MOSL equivalent to the VAT on the amount used to fund the MIF. Such input VAT would be recoverable by trading parties in the normal way subject to their own VAT circumstances.

Assurance over running of the fund

All MOSL activity will be subject to assurance activity from MOSL Internal Audit function, potentially with support and independent verification from the Market Auditor, in the same way as other activity carried out as Market Operator. The scope of this work is reviewed and approved by the Strategic Panel and the MOSL Audit and Risk Committee and it is expected that the auditors would liaise with the MIF Project Team in assessing areas of audit focus relating to the MIF, including controls over payments of funds to successful applicants.

Complaints and appeals

The decision of the MIF Selection Committee with regards to awarding funds, as ratified by the Strategic Panel, is final and not subject to appeal. Unsuccessful applicants are invited to improve their bids and submit them again during the next round of funding.

Should an applicant wish to complain about the administration of the MIF, they should email MIF@mosl.co.uk and mark their email for the attention of the Chair of the MIF Project Team. The Chair of the MIF Project Team will review the complaint and respond to the complainant within 10 Business Days explaining what action, if any, they will take to remedy the complaint.

Funding of projects outside of the MIF framework

Whilst it is expected that most projects selected for funding under Section 9.6 of the MAC are selected through the MIF, the Strategic Panel is also able to select projects outside of this process. This section sets out the governance process for doing so and related requirements over the operating and oversight for such funding.

Identification of project for funding

It is recognised that, in carrying out its wider activities, the Strategic Panel may identify a project which is considered important in the delivery of its priorities and where the use of MPS and/or OPS charges is considered the most appropriate funding mechanism.

Where this occurs, the Strategic Panel will review the business case for the project, including the specific deliverables, benefits, costs, funding needs and timing of payments. In assessing the merits of the project, the Strategic Panel will refer to the application evaluation categories used for MIF projects as set out earlier in this document.

If satisfied that the business case is sufficient and robust, and subject to the conditions below being met, approval for funding can be granted by Strategic Panel at any point during the year.

Conditions to be met

Prior to approval of a project, the Strategic Panel must ensure that:

- The project meets the three application criteria set out in Section 9.6.2 of the MAC (see the Application Criteria section of this document);
- MOSL has confirmed that there are sufficient MPS and/or OPS charges collected, taking into account any allocations already made to MIF rounds;
- The following are clearly defined and agreed:
    - Timing of payment – one payment or series of staged awards
    - Conditions required to be met prior to any staged payment being made – including performance conditions or evidence of delivery
    - Any activity specifically excluded from being funded
    - Additional specific progress reporting requirements over and above those proposed within the application.
- Appropriate monitoring arrangements are agreed to ensure that all relevant conditions have been met prior to each milestone payment being made.

Payments

Once a project is approved by the Strategic Panel, including appropriate milestones and conditions, MOSL will be responsible for contracting with the relevant party (as is appropriate for the nature of the project) and making payments accordingly.

Other conditions

This document sets out certain conditions that apply to MIF projects in respect of Allowable Expenditure, Intellectual Property Rights and Data Protection. These conditions will apply consistently to any other projects funded separately by the Strategic Panel as set out in this section. The VAT treatment of such projects will also be consistent with that applying to MIF funded projects, as detailed separately in this document.

Roles and Responsibilities

This document sets out the roles and responsibilities of the MIF stakeholders. As applicable or unless otherwise specified, the same roles and responsibilities apply to any projects funded separately from the MIF.

Assurance

This document sets out arrangements for assurance over the running of the MIF including the role of internal audit. The same assurance arrangements will apply to any projects funded separately from the MIF.

Complaints and appeals

This document sets out arrangements for complaints and appeals for MIF projects. The same complaints and appeals arrangements will apply to any projects funded separately from the MIF.

Project Closure

Projects will undergo the same project closure requirements as projects funded under the MIF, including reimbursement of any unspent funds.