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# FOLKESTONE & HYTHE DISTRICT COUNCIL

## OTTERPOOL PARK GOVERNANCE REVIEW

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# 1 Introduction

## 1.1 Background

Folkestone and Hythe District Council (the Council) created a Limited Liability Partnership (LLP) for the development of its garden town, Otterpool Park. The Council is the 100% owner of the LLP. It formed the LLP to deliver its aspirations for Otterpool Park, taking a holistic approach to the development to ensure that housebuilders, commercial, retail and leisure developers and infrastructure partners can focus on construction, marketing and delivery. The role of the LLP includes:

- Leading and co-ordinating development activities and delivery of infrastructure
- Becoming the applicant for the existing planning application and any future submissions
- Facilitating partnerships to promote housing and development opportunities
- Holding and managing land for a range of uses
- Commissioning professional services
- Managing new community infrastructure

It is about to embark on a new phase of development which will represent a significant increase and change in its activity. Outline planning permission was granted on 4 April 2023 for 8,500 units. As the Council approaches this key point in the LLP's development, this is a good opportunity to assess its governance arrangements. The focus is on the LLP, with the Council's own governance arrangements in relation to it also under review. The Council would like to understand where the opportunities for improvements to governance may exist and what lessons have been learned from elsewhere.

## 1.2 Our approach

Local Partnerships have been commissioned by the Council to undertake a governance review of the Otterpool Park project and its LLP in particular. This report sets out our findings and recommendations on its governance procedures for the Council to consider. This report is not intended to be for wider distribution or circulation.

During March and early April 2023 we carried out the following activities:

- Document review
- Virtual and in-person interviews of key individuals
- Research into similar local authority-owned development companies

## 1.3 Summary of Key Findings & Recommendations

- The overall goal and vision for a high-quality garden town and the commitment to sensitive and meaningful place making is well understood. Both the LLP and Council officers and politicians share a similar view of its importance to the area.
- However, this high-level vision has not been backed up by a shared and sufficiently detailed understanding of what is needed to deliver this, where the responsibilities lie and what consultation or approvals are needed when, and from whom.



The key findings and recommendations are summarised below.

Finding	Recommendation
<p>There are a number of areas both within the Council's own governance structure and that of the LLP that are not working as well as they could.</p> <p>There is a lack of clarity regarding the relationship between Council and LLP including how the Council as owner wishes to maintain oversight of the LLP through the next phase of delivery.</p>	<p>An overhaul of all governance arrangements, both for the Council and LLP, through a review of Terms of Reference documents, membership and training needs, to promote better challenge and oversight appropriate for the next phase of the project, including:</p> <ul style="list-style-type: none"> <li>• Owners' Committee</li> <li>• Members' Agreement</li> <li>• Oversight and Scrutiny Committee</li> <li>• Audit &amp; Governance Committee</li> </ul>
<p>The Council's statutory officers comprising CEO, S151 Officer and Monitoring Officer do not all have the requisite voice of authority in relation to this important project.</p>	<p>Ensure that these officers have a higher profile in relation to the LLP across the Council through greater prominence in appropriate meetings, in certain decision-making activities, and in communications.</p>
<p>The Council has insufficient operational oversight, in particular relating to finance, estate management etc.</p>	<p>Consider additional roles in Finance including Commercial Director and Project Accountant and an operations board to link with the LLP.</p> <p>The Council and the LLP should have a written, clearly costed service contract for estate management and maintenance and other dependencies so that there is a clarity over respective obligations.</p>
<p>The frequency and duration of LLP board meetings is no longer sufficient to make appropriate decisions for the scale of project and level of Council investment.</p>	<p>Implement a board planning cycle including more frequent meetings and extend the duration to enable all matters to be covered satisfactorily.</p> <p>Provide more detail to board members in reports on matters of significance to allow directors to discharge their responsibilities robustly and for the audit trail to demonstrate that robustness.</p>
<p>Decision-making is slowed by a silo approach in the use of multiple sets of advisors.</p>	<p>Connect advisors to view matters holistically e.g. through co-ordinated board presentations to allow full implications to be explored and understood.</p>
<p>Board oversight of LLP staff is unclear.</p>	<p>Introduce a formal annual review of all senior executive appointments and ensure that board approval is sought for all new senior roles.</p>



<p>There is insufficient rigour concerning the annual business plan for the Council to satisfy itself that the LLP is operating correctly.</p> <p>The annual update to the 5-year business plan provides a document with only a partial view which is difficult to scrutinise as a coherent standalone document.</p>	<p>The process for updating the business plan is planned so that there is more opportunity for scrutiny and challenge.</p> <p>The scope and content of the annual business plan needs to be reviewed so the document able to stand up to scrutiny as a coherent document in its own right.</p>
<p>The Board's oversight of risk is insufficient for the scale of project.</p>	<p>A programme of more detailed risk management should be implemented, both Council-side and LLP.</p> <p>The Council's Audit &amp; Governance Committee should have sufficient opportunity to satisfy themselves on related matters regarding the project as it moves to a delivery phase.</p>
<p>There is insufficient reliance placed on internal and external audit advice which could help facilitate better decision-making.</p>	<p>Align audit work more closely to the LLP's activity to enable a more holistic picture.</p>

## 2 Findings and Recommendations

### 2.1 Introduction

We have assessed the governance of Otterpool Park LLP against best practice adapted from Local Partnerships' good practice guidance and checklist as set out in the Local Authority Company Review Guidance document. Our recommendations are based on these comparisons. We have also made comparisons to examples of good practice in comparable local authority development companies with which we are familiar as well as lessons learned from the high-profile failures of wholly owned local authority arm's length companies of London Borough of Croydon and the city councils of Nottingham and Liverpool, all of which have been the subject of Public Interest Reports or inspections.

### 2.2 Governance Aims

#### Good Practice

Checklist
<b>There should be evidence that the council recognises the importance of good governance which is proportionate to the nature of the entity</b>
<b>There should be evidence of a culture of challenge and clarity of purpose with sufficient freedoms for the entity</b>

Good corporate governance requires accountability, transparency, effectiveness, value, integrity and inclusivity.

Finding	Recommendation
The Council recognises the need for good governance. In the early stages of the company, the current arrangements may have been proportionate to the scale of activity. However, as the company moves into the development phase of its journey, this should be updated and made 'fit for purpose'.	The Council to consider increased governance as set out throughout this document. This is predominantly through the operational side as well as the strategic oversight, striking the right balance between influence and interference.
It is not clear what degree of control the Council wishes to have over the LLP.  A benefit of having a company is that it is allowed the freedoms to carry out its activities outside the workings of the Council. However, there is a balance to be struck as the Council must exercise its rights as the owner.  Lack of understanding by the LLP of what the Council's thinking is and requirements are, for example the reticence in lending which leads to confusion, potential delay and 'filling in the narrative'.	The Council officers and members should meet to agree and set out in some detail what type of company they want the Otterpool Park delivery vehicle to be and provide sufficient direction so that LLP officers as well as the Board have a clear steer.  The Council should review the Members' Agreement and ensure this fits well with the updated view and required degree of control.  From this, hold sessions with LLP Board to ensure comprehensive understanding of owner requirements and a clear framework for interaction set out including scheme of delegations



	<p>and key decisions needing approvals; meeting and updating requirements; forward plan; key contracts; communication strategy.</p> <p>Clearly articulate what the owner requires beyond the legal agreement. Consider amendments to the Members' Agreement if required. This is currently dated 2021 and was varied in January 2022.</p>
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## 2.3 Council's governance structure and shareholder role

### Good Practice

Checklist
<b>Clear designated shareholder function with clear Terms of Reference (TORs) and role</b>
<b>Evidence that the individual in the shareholder role is suitably trained and supported</b>
<b>Evidence of regular meetings with paperwork to support which informs the subsequent Board meetings</b>

The Council must have a designated shareholder role to represent its ownership. The process should be set out in the constitution and state how it reports on the exercise of its delegated powers. The role should be to oversee decisions and review and amend as necessary the Council's commercial approach. It should set the expectation in terms of social outcomes and return on investment (ROI) and ensure there is a means of evaluating the effectiveness of the company Board and delivery against the Council's objectives.

Finding	Recommendation
<p>There is an Owners' Committee which acts as the conduit between the LLP and the Council and is the mechanism for the shareholder (represented by elected members and chaired by the Leader) to exercise oversight.</p> <p>Observations of those in attendance have included the following:</p> <ul style="list-style-type: none"> <li>• no major decision making takes place.</li> <li>• it is quite informal and would now benefit from being more robust and detailed.</li> <li>• it is an interrogation rather than a conversation.</li> <li>• it feels rehearsed rather than a proper discussion of what the LLP is doing to meet the Council's objectives.</li> </ul>	<p>Refresh the TORs for the Owners' Committee. This could include the Council giving it the ability to make recommendations to the Council CEO to approve non-strategic matters; for example, minor changes to the business plan and changes to Board appointments.</p> <p>A refreshed Owners' Committee together with the Council's scrutiny function should enable the Council to ensure it is obtaining the necessary assurances that the project is being delivered satisfactorily.</p> <p>It should not be treated as another item of Council business, but as a</p>



	large-scale investment requiring appropriate oversight.
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## 2.4 Council oversight

### Good Practice

Checklist
<b>Scrutiny oversight and approval of business plans</b>
<b>Clear set of KPIs from the business planning process</b>
<b>Senior company staff are performance managed against KPIs</b>
<b>Ongoing assessment of value for money through an adequately resourced monitoring function</b>
<b>Ongoing assessment of risks relating to the entity supported by processes to ensure that risks are managed as part of the council's overall risk management approach with appropriate escalation and reporting</b>

The Council should have a clear and systematic framework which underpins the arrangements for overseeing the entity and ensure its interests are safeguarded. This framework should be underpinned by clear governance principles such as keeping the role of shareholder separate from that of the Board. The Council should regularly undertake an objective assessment of how the entity is working towards its goals. Senior officers should be managed via a framework of KPIs.

Finding	Recommendation
The Council's statutory officers i.e. CEO, s151 Officer and Monitoring Officer do not all have the requisite voice of authority in relation to this important project.	<p>Ensure that these officers have a higher profile in relation to the LLP across the Council with officers and members alike. This will enable the financial and monitoring functions to be given the necessary prominence.</p> <p>Ensuring that a permanent appointment for the s.151 role (it is currently held by an experienced interim) is made will support strong governance. Some of the high-profile failures included in the research were exacerbated by a lack of permanent incumbents in senior roles.</p>
The Council oversight of the LLP suffers from a lack of structured approach to its management of its roles as sole funder/investor and shareholder as well as place shaper. This is because of a lack of available resource to be dedicated to the project from the 'client' side. There is a lot of pressure on the s151 officer who has other priorities across the wider Council. It is a similar position for the Director of Place.	<p>To alleviate pressure on the s151 officer and Director of Place, consider the creation of a small team consisting of an experienced Commercial Director post (at least on a part time and/or fixed term contract) and a Project Accountant with some project management support.</p> <p>It will become increasingly difficult for s151 and Director of Place to perform both their substantive role and also lead in relation to the LLP as it moves into the</p>





	<p>development phase. It may be a challenge to recruit to this role, as was stated in some interviews. A secondment may be one option allowing that person's substantive post in a more generic finance role to be backfilled. These roles would liaise directly with the LLP and help to ensure that LLP finances are transparent and reflected in the Council's own Medium Term Financial Strategy (MTFS) and budget reporting.</p> <p>A Joint Operations Board (or similar) sitting beneath the LLP Board would facilitate better Council oversight. The membership could be heads of service from the Council with Finance and Development staff from the LLP. This Joint Operations Board would discuss operational matters, providing a basis for LLP Board discussions.</p> <p>This should be supported by a performance management framework to monitor progress.</p>
<p>There is no visible role for the Council's Overview and Scrutiny or Audit &amp; Governance Committee in relation to this significant project. If papers are regularly submitted or are on the standing agendas this was not noted by any of our interviewees and the emphasis was very much on business being discussed at quarterly Owners' Committee meetings.</p>	<p>It is usual practice for a council's scrutiny, audit and other committees to have a role in scrutinising and challenging investments which are made on a council's behalf eg. LLPs or development vehicles.</p> <p>Revisit the TORs of these committees in respect of this project to ensure it is sufficiently considered.</p> <p>Members on these committees should be provided with sufficient training to challenge appropriately.</p>
<p>Outside the Owners' Committee meetings, there are communications which take place. Respondents noted that there must not become a 'them and us' situation with some believing that this is already happening.</p> <p>Whilst there is a place for informal meetings, there is a risk that such meetings do not always lead to informed action and progression of outstanding issues which exacerbates a disconnect between Council and LLP. There is also a risk that matters discussed are not</p>	<p>After the provision of clarity in relation to the desired control at 2.2 above, ensure that there are regular meetings between the relevant teams at the LLP and the Council (and/or Joint Operations Board) and that they are documented.</p>



properly recorded and that others are overlooked.	
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## 2.5 Appointments to the Board

### Good practice

Checklist
<b>There should be evidence that a culture exists whereby actual or perceived conflicts are identified and acted upon.</b>
<b>There should be evidence that the appointment to the Board is subject to a documented formal rigorous and transparent procedure based on merit and published objective criteria which also promote diversity.</b>

Council members and officers should be aware of actual as well as potential conflicts of interest when carrying out their roles. Council officers and members also have fiduciary duties towards a council. Situations can occur where the same person is a decision maker or advisor both for the council as well as the entity. When acting as a director of the entity, a council officer or member is obliged to act in the best interests of the entity which can present challenges.

Finding	Recommendation
<p>The current Board comprises four non-executive directors, two elected members and one executive member. There are no Council officers on the Board. This may have been an appropriate cohort when the LLP was set up but now needs to be bolstered.</p> <p>Interviewees felt that there are gaps in the board's collective knowledge, particularly in relation to finance and development skills. An appreciation of how to temper commercial gain alongside sound, sustainable place-shaping skills was absent.</p>	<p>The overall size of the Board is in line with best practice examples which are typically between 6 and 10. However, the mix should be re-considered, adding at least two more independent directors with relevant expertise in the key skills gaps noted.</p> <p>Consideration should also be given to the preferred composition of the Board when current appointments expire. Employing an independent recruiter to ensure that the market is fully tested, and the best possible candidates are appointed. The current cohort should not be discouraged from applying but any renewal should be subject to a robust recruitment process.</p>

## 2.6 Directors' skills and development

Checklist
<b>There should be documented evidence that Board regularly undertakes a skills audit to ensure an appropriate blend of skills and experience</b>
<b>There should be evidence of ongoing professional training and development to ensure all Board directors are up to date in their understanding and are supported in their roles</b>
<b>Evidence that the directors have sufficient skills and experience to run the entity</b>
<b>Sufficient evidence that directors' behaviours are aligned to the Companies Act requirements.</b>
<b>Scope of directors' authorities should be clear to all parties.</b>



Training should cover legal roles and responsibilities and company directors' roles. The training should include responsibilities under the Companies Act 2006, Insolvency Act; Bribery and Modern Slavery Acts. Data Protection and Health and Safety at Work issues should also be addressed.

The entity should seek a Board that has a range of skills and backgrounds including those from strong commercial and financial backgrounds as well as business development, technology, legal and HR. There should be an annual evaluation of Board committee chair and director performance. It is advisable to have this externally facilitated.

Finding	Recommendation
<p>Board directors noted that there have been some briefings at meetings on specific topics but there has been no formal training provided. They also stated that they did not have training as board directors when appointed and have not had any since.</p> <p>Council members who sit on the Board sometimes receive briefings on specific matters from their officers, which are not available to other board directors.</p> <p>There has been no evidence of evaluation or appraisal of performance of either the Board as a whole or of directors and officers as individuals.</p> <p>This project is a significant undertaking, particularly for a council of this size, and the importance of it could be better recognised.</p> <p>The structure of the LLP requires a stewardship model as there needs to be at least one partner. The stewardship role is currently undertaken by the Director of Place, but this has not been reviewed for some time.</p>	<p>Provide training for the Board on these areas and/or regular refresher and update training.</p> <p>The LLP should ensure that any new Board director receives mandated training and cannot sit on the Board until this training has been completed.</p> <p>The LLP Executive team and Board should have a board cycle with regular programmed sessions with industry experts ahead of key decisions/phases of work.</p> <p>The Council's vision for the LLP should be more clearly articulated and stated in all documentation including the business plan to retain focus.</p> <p>This development is expected to be phased over a long period of time and therefore the overall vision as well as the ambitions for each stage. This vision needs to be developed out of actions arising from 2.2 and then shared and developed with the LLP.</p> <p>Consider the options for the structure of the LLP.</p>



<p>Board members are not assessed for competency as a matter of routine.</p>	<p>Introduce an appraisal system for all directors. The Board should annually review all aspects of Board appointments and share these with the Council.</p> <p>Formalise an approach to succession planning to accommodate the changing nature of the LLP and ensure appropriate skills and experience mix. This is particularly important given that this is a 30-year project.</p> <p>A similar approach to succession planning should be undertaken in respect of the LLP's senior officers.</p>
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## 2.7 Company Board composition

### Good practice

Checklist
<b>There should be evidence that the Board has a diverse membership with collective skills needed to run the entity effectively</b>
<b>There should be evidence that the Board membership is reviewed regularly for composition and fitness for purpose Evidence that the Board has clear policies and procedures to ensure conflicts are identified and acted upon.</b>
<b>There is evidence that the role of exec directors is clearly defined and documented</b>
<b>NEDS are in place to bring an independent judgment to bear on subject matter expertise, strategy performance resources including key appointments and standards of conduct</b>
<b>There is documented evidence that the Board values the role of NEDS and their views are influential in the Board's decisions</b>

Non council appointments should be based on a review of the skills, qualifications and diversity plus any other relevant attributes for the role.

Finding	Recommendation
<p>There is no regular review of the Board composition, however, there is a mix of LLP directors, NEDs and Council members.</p>	<p>Review Board composition on at least an annual basis. This will be important as the development progresses and the nature of the LLP will change.</p> <p>Formalise approach to succession planning to accommodate changes to keep the experience mix appropriate.</p>



<p>The NEDs were appointed in 2019 for a four-year term with an annual remuneration of £10,000 each, including the Chair. The remuneration was set in line with members' allowances and appear in line with the market.</p> <p>The roles appear to have been solely advertised on the Council's website.</p> <p>Some applications were received from individuals who were not known to the Council, but all persons selected to serve on the Board did have a personal connection. As a result, there is no-one on the Board who is completely independent, bringing a different perspective and the candidate market was arguably not properly tested.</p>	<p>Appointments should be more transparent. Clear job specifications should be produced and the roles, advertised publicly, with the help of a recruiter. The interview should include an independent person.</p> <p>Ensure there is a remuneration committee and that all appointments (Board as well as senior appointments) are approved.</p> <p>Documentation in relation to appointments onto a board which are made from previously senior officers of the company in question should be particularly robust and capable of withstanding challenge.</p> <p>Consideration should be given as to whether the 'corporate memory' can be retained via another route or method.</p> <p>Consider the rationale for having elected members on the board as this presents greater potential for conflict.</p> <p>The mechanism for elected member oversight can be achieved through the Owners' Committee. This could be supplemented with a presence on sub-boards where there is a particular area of interest, for example sustainability or education. It could be bolstered through other committees, such as the Overview and Scrutiny Committee.</p> <p>If it is decided that elected members must sit on the LLP Board then strong controls and training should be provided. Given the nature of political posts, succession planning will also be particularly important.</p>
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## 2.8 Role of Chair

Checklist
<b>Evidence that the chair provides clear Board leadership supporting the directors and CEO and taking account of the shareholder views.</b>

A Chair’s role in securing good corporate governance is vital. Chairs are primarily responsible for ensuring good working of the Board and ensuring all directors are encouraged to discharge their duties effectively.

Finding	Recommendation
The Chair of the LLP needs to be able to provide clear Board leadership; support the directors and CEO and take into account shareholder views.	As a new more active phase of work commences it is important that the skillset and time commitment of the Chair is commensurate with the role and purpose of the LPP as the council’s delivery vehicle.

## 2.9 Role and behaviours of the Board

### Good practice

Checklist
<b>The Board meets regularly to make decisions</b>
<b>Evidence of delivery of strategies and plans including scrutinising key operational and performance information</b>
<b>Evidence of desired culture and behaviours</b>

The Board should operate openly and transparently, meeting regularly (at least quarterly) and have sufficient notice of issues to be discussed and supported by necessary paperwork.

The Board should have processes to confirm how financial issues are to be dealt with including business planning, budgets, financial systems, monitoring and reporting. It should ensure the workforce policies and practices are consistent with company values and supports its long-term sustainable success.

There should be a record of essential functions and matters which are reserved for the Board and cannot be delegated.

Finding	Recommendation
The Board meets four times a year which may have been sufficient in the early stages of the project.	Increase frequency of Board meetings and extend the duration to enable all matters to be covered satisfactorily.
This is now considered insufficient both in terms of frequency and duration to be able to receive the necessary information and make decisions.	As well as the main board meetings, it may be appropriate to create sub-boards on specific matters, for example remuneration, financing of infrastructure or sustainability



	<p>initiatives, the outcomes of which may be fed into the main board.</p> <p>Introduce a formal Board agenda forward planning cycle. Ensure this is complementary to the Council's forward plan of activity and mitigates the risk of delays.</p>
<p>There has not been the opportunity for the Board directors to get to know one another and develop as a group. They do not meet outside the regular quarterly meeting programme. This has been exacerbated by hybrid working and many participants join meetings remotely.</p>	<p>A series of in-person Board Away Days should be arranged to create a greater sense of cohesion and understand how best to work together. It will also encourage a culture of openness and sense of partnership working.</p>

## 2.10 Entity management

Checklist
<b>There should be a fully documented and approved business plan which reflects the current position of the entity. The changes to it should accord with the trajectories that are apparent from the monthly financial and non-financial performance reports.</b>
<b>The financial transactions in the council's MTFs should accord with the projections in the business plan</b>
<b>Board reports should include clear presentation of the monthly income and expenditure position of the company as well as a cashflow statement and balance sheet</b>
<b>There should be evidence of an annual audit letter from the council's external auditors confirming the degree of confidence they hold in respect of the consolidation or treatment of financial instruments entered by the entity</b>
<b>Documented financial procedures should be available</b>
<b>There should be evidence of an effective internal audit programme</b>

There should be an annual business plan which sets out the objectives and how they will be resourced. It should include:

- A description of the core offering
- Strategy and implementation
- Financial analysis and forecasts
- Operations and management – how it is going to fulfil its purpose, managing supply chain and stakeholders

The business plan and business planning process are critical parts of the governance culture and environment. They are the basis for monitoring financial performance and feed into the medium-term financial planning of the council where it expects a return such as dividends, loan repayments and capital receipts.

Finding	Recommendation
There is a business plan which was approved by the Board in early 2023 which sets out the	Refresh and improve documentation and scheme of delegation;





<p>requested parameters for spend and strategy over the forthcoming period. However, there was judged to be insufficient time allowed to review and comment.</p> <p>No clear forward plan/escalation process is in place. There is a risk that the Board is not fully sighted on the business plan and understands its contents.</p>	<p>improvements to business plan and ensure a forward plan put in place.</p> <p>Ensure that those challenging the business plan, both company and council-side, know how to challenge it, for example utilising specimen questions from Local Partnership's recent guidance on Local Authority Trading Companies.</p> <p>There are a number of arrangements where we understand that the LLP relies on the council to discharge its responsibilities eg. estates maintenance, corporate H&amp;S and some banking and payment processing. These responsibilities should be clearly set out and articulated in written agreements so as to ensure clarity for all parties and manage expectations as to speed of response etc. A charging mechanism to ensure that the Council is not inadvertently subsidising the LLP should also be considered.</p>
<p>Advisors, including internal and external auditors, are used in silos, therefore decisions are prone to being made without considering the full picture.</p> <p>.</p>	<p>Consider connecting advisors through the creation of a project team within the Council with advisers in attendance where key debates and decisions need to be made, drawing on their combined experience.</p> <p>In best-practice development companies, advisors typically work together as part of a project team with the council and/or company/vehicle.</p>
<p>Board oversight of the LLP officers is not clear, particularly in relation to the structure and changes to it.</p>	<p>Consider an annual review of LLP officers and ensure that key executive appointments and promotions are subject to board oversight and approved by the Board. Further, an in-depth skills audit should be undertaken in respect of all LLP executive officers to ensure that there is a skill base and sufficient experience to guide the delivery vehicle through the next period of activity. Regular refresh of these as well as formal appraisals should also be undertaken as part of usual company business. Any new senior roles and appointees to them should have Board approval.</p>



## 2.11 Risk Management

### Good practice

#### Checklist

**There should be evidence that the Board understands the risk profile of the organisation**

The Board should have ultimate responsibility for risk management within the entity and ensure appropriate risk management arrangements are in place. It should regularly review risks and how they are managed. This may be delegated to another committee to evaluate. The Board should be aware of its appetite for risk and the risk profile of the entity. The Board's approach should be proportionate.

Finding	Recommendation
<p>The Board's oversight of risk is insufficient for the scale of project. For example, risk is not always discussed at meetings. This will become even more critical as the company enters a new phase.</p> <p>It is likely that the LLP will go through different stages and structures over the period of the project. The relationship between the stewardship approach and the legal agreements with the developers will be key here but ultimately any contract will need to be enforced.</p>	<p>A programme of risk management should be implemented. This may include:</p> <ul style="list-style-type: none"><li>• A joint risk workshop between the Council and the LLP Board at which a common understanding of what the risks are and what mitigation can be taken. Any 'red lines' the Council has, for example in relation to borrowing, may be set out.</li><li>• Risk management on the agenda at every Board meeting given the new high risk activity phase.</li><li>• A proposed review of internal controls.</li></ul> <p>Consider control and risk and reward balance and set this out clearly.</p>



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