

**Executive**

**18 March 2019**

**Key Lines of Enquiry (KLOE) Horley Business Park LLP**

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Horley Business Park LLP Evidence from Council minutes	Task Group Initial Findings
Initiation	Strategic objectives (why bother?)	Were these set out fully and properly from the outset (before committing costs)?	Exec 15 Oct 2015 report authorising creation of LLP set out links to corporate plan and core strategy – ie creating new jobs for resilient, vibrant economy.	
	Are clear strategic objectives driving the project?	Did/Does the project fit with the Council's vision?	Exec report 15 Oct 2015 identified a clear fit with the Council's vision to create jobs and demand for units of a suitable scale in Gatwick Diamond sub-region.	
		Was/Is there sufficient member buy-in?	Executive report authorised creation of vehicle. It noted briefings have been given to management team, executive members for regeneration, property and finance, Horley ward members and officers in property, planning, policy and regeneration.	
		Was/Is it worth investing time and resources? What were/are the costs/benefits? Can losses be absorbed?	The exempt report to executive 15 Oct 2018 included a viability study and stage 1 costs.	
		Was/Is the Council's role in		

		commercial decision making clear?		
		How were / are the objectives agreed and formally signed off - if so by who?	Executive 15 Oct 2015 authorised the creation of a JV LLP or Company.	
Planning	Thorough planning & due diligence			
	Have all options been considered?	Have alternative delivery vehicles been assessed to establish most appropriate vehicle for project?	The Executive report which authorised the set up of a JV identified options being a LLP or Co and delegated authority to set up either. No assessment of pros and cons of each or why LLP eventually chosen vehicle.	
		Did/Does the assessment cover relevant criteria including costs, cash flow, complexity, risks (including reputational risks), return on investment, dividends/profit distribution?	n/a	
	Was/Is there a robust business case?	Did/Does the business case adequately cover		

		Optimal governance arrangement including: Role of Board chair Composition of Board NEDS? Stakeholder committee Role of Council in commercial activity Procurement and fraud controls Effectiveness of Board evaluation Reporting to Council – content and mechanism Employee/Directors – managing conflict of interest Availability and distribution of information	The executive meeting of 15 October resolved to appoint Chief Exec and Head of property as the Council's reps on a LLP/Noe Co. No skills assessment. The Exec report identified the set up of a Strategic Property Advisory Group (SPAG) and that the project would be managed with key sign off stages – (1. Initial viability; 2. Site master plan and outline planning application; 3. Development master plan, construction tenders, reserved matters planning application; 4. Tenders received, lettings secured, construction).	
		Financial plans and controls including authorisation of expenditure	Reference to key sign off stages and involvement of SPAG.	
		People management/leadership and commercial skillsets	No skills audit	
		Transfer of assets and support costs	Head of Finance given Exec approval to provide management accounting services to the vehicle and make suitable arrangements for statutory accounting and reporting.	
		Business activity and operational plans based on market research	Business viability review considered by the Executive included analytical review of peer group business parks in the south east and effects of a potential second runway at Gatwick airport.	

		Success/outcome measures	Costs of stage 1 and 2 set out in initial exempt report to Executive. No timeline for sign off stages.	
		Reporting mechanisms	Set up of SPAG (advisory) Executive to receive staged report.	
		Risk management and mitigation	The exec report setting up vehicle included section on risk management – identified strong track record and team, potential planning issues, development risks. The exec report on use of CPO powers identified risks as developer unable to provide sufficient financial undertaking (mitigated by indemnity) and unlikely risk of legal challenge. Legal advice taken on state aid.	
		Liabilities and taxation	Reference to no corporation tax being payable.	
		Business, tax, legal and finance sign off before final decision		
		Exit strategy	Sign off stages identified as opportunities for review.	
<b>Execution</b>	<b>Implementation</b>			
	Was/Is the delivery of the project being tracked and monitored and early action being taken to address risks?			
		Was/Is performance, resource and financial information being adequately tracked?	Reports to Executive	
		What business management reporting processes were /are in place & were they carried out		

		appropriately		
		What processes were / are in place to manage income (sales) & to confirm compliance with the agreed business case?		
		How were /are financial forecasting reviewed and managed to ensure adequate funding & cashflow was available to confirm compliance with the business case?		
		What financial controls were/ are in place to ensure expenditure complied with the agreed business case ?		
		What were / are the processes for agreeing changes to the business case (services delivered / sold / finances & resources required) ?		
		Was / Is risk being actively monitored and how was this achieved?	Risk assessments in executive reports	
		Was/Is there assurance that no project creep occurring? What change control processes were / are in place?		
<b>Closure</b>	<b>Project closure</b>			
		Was/Is the exit strategy being followed?	n/a	
		Was/Is there a review of project?	Commercial governance member task group	
		Were/Are lessons learnt being captured and implemented?	Tor of task group to identify lessons learnt	

--	--	--	--	--