

# Cheshire and Warrington Local Enterprise Partnership (C&W LEP)

## *Transition to a Council-owned Company Model: Business Case*

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## A. INTRODUCTION

A1. In March 2023, and subsequently via letter and guidance from Minister Davison in August 2023<sup>1</sup>, the Government confirmed its decision to cease core funding for Local Enterprise Partnerships (LEPs) and, where appropriate, to integrate and transfer functions to local authorities from April 2024.

A2. Following a detailed options analysis, due diligence and informal discussion with Council Lead Members, Chief Executives and Senior Officers from Cheshire East, Cheshire West and Chester and Warrington Borough Councils – as well as private sector C&WLEP and Marketing Cheshire representatives - the option of a Council-owned company model is recommended as the preferred approach for LEP transition. This has also been discussed in detail with Government officials.

A3. It was agreed that a business case should be developed as part of a wider suite of documents to ensure Members have detailed background information to support final decision-making for the future of LEP functions.

A4. This business case takes account of both the existing Cheshire and Warrington LEP Company and Marketing Cheshire (a wholly owned subsidiary of the C&W LEP).

## B. BACKGROUND

B1. In August 2023 the UK Government confirmed that LEP functions would become the responsibility of Local Authorities by April 2024. How those functions should be implemented would be decided locally. However, Government guidance set out that wherever possible local authorities should work together to deliver LEP functions within functional economic areas with a minimum population of 500,000<sup>2</sup>.

B2. The Guidance also states that if authorities wish to continue using the LEP as a vehicle to deliver these core functions, or if they wish in due course to pursue integration of a LEP, they are free to do so – the nature and status of such arrangements is a decision for each local authority. However, any future contracting that is not in place before 1 April 2024 would be subject to normal commercial procedures i.e. tendering, unless a Teckal exemption (*see below*) is in place.

B3. In relation to the **transfer of functions**, the following are detailed as the primary functions of LEPs ‘as funded by government’:

- a. Embedding a strong, independent, and **diverse local business voice** into local democratic institutions.*
- b. Carrying out **strategic economic planning** in partnership with local leaders that clearly articulates their area’s economic priorities and sectoral strengths.*

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<sup>1</sup> The full guidance can be found [here](#).

<sup>2</sup> None of the three Cheshire and Warrington Councils meet this threshold individually.

- c. Continuing to **deliver a number of functions [programmes]** on behalf of government departments, shaped by the local business voice where relevant.*
- d. Where appropriate, **helping to broker and support new or deeper devolution deals**, where requested by local partners.*

B4. Councils across Cheshire and Warrington have historically delivered these functions through the C&W LEP, which is set up as a company limited by guarantee in which Cheshire East, Cheshire West and Chester and Warrington Councils each have a 20% share, with two business sector shareholders (being the Chair and Vice Chair of the LEP) having 20% each.

B5. Since August 2023, officers, in consultation with lead Members, Government Officials and private sector representatives, have been working through a number of options for LEP transition, as well as aligned due diligence and further detail on legal, financial and governance implications. This business case should be read in conjunction with the wider suite of documents contained as appendices as part of the February 2024 LEP Transition Council Report.

B6. Officers consider that the preferred option is to retain the current company model with amended shareholding so that it is wholly owned equally across the three Councils of Cheshire East, Cheshire West and Chester and Warrington. This would use the existing C&W LEP Company structure, which is limited by guarantee and wholly owns its subsidiary, Marketing Cheshire. Articles of Association would be changed to increase the Councils collective ownership from 60% to 100%, using a Teckal exemption<sup>3</sup> and changing the name to Enterprise Cheshire and Warrington (EC&W) – whilst maintaining the Marketing Cheshire name and brand.

B7. A Joint Committee, comprised of Elected Members from each Council, would maintain direction and oversight of the company as well as provide strategic sub-regional leadership. A new board of directors would be established, replacing the role of the current LEP Board – but only insofar as company legal requirements need to be upheld. A Business Advisory Board would be created to maintain a business voice across sub-regional economic matters following the dissolution of the current LEP Board.

## **C. CASE FOR CHANGE**

C1. The UK Government's commitment to engaging with sub-regional economic functional areas is outlined in the Levelling Up White Paper (2022) and subsequent guidance associated with Local Enterprise Partnership (LEP) transition arrangements in England. By focusing on these functional areas (with populations of 500,000 or more), which represent key sectors and industries, the government aims to optimise regional strengths and capitalise on unique economic potential. Through targeted engagement at scale, policymakers can tailor policies and interventions to address specific challenges and opportunities within each functional

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<sup>3</sup> A Teckal exemption means that Councils must control the company and its activities in the same way as they do their own departments – with at least 80% of the work of the company being for the controlling Councils. This allows Councils to pass work directly to their company without having to tender it. This is explained further in Appendix A.

area, thereby promoting innovation, productivity, and job creation. This approach of intervention at economic functional areas is a policy shared across the main political parties – with recent Labour Party communications also highlighting the approach, for example, within the 2023 ‘Renewing our Democracy and Rebuilding our Economy’ Commission Report.

C2. To support the assessment of LEP transition options for Cheshire and Warrington, the case for change has been based on the following shared values and principles as discussed during background consultation. These include:

- ⇒ Supports sub-regional working to achieve the best economic outcomes for Cheshire and Warrington
- ⇒ Achieved at pace
- ⇒ Minimises complexity and achieves a simplified solution
- ⇒ Minimises transition cost (to Councils)
- ⇒ Maximises capacity and resources – achieving further economies of scale and maximising efficiencies – as well as retaining staff knowledge and expertise.
- ⇒ Minimises liabilities (to Councils)
- ⇒ Maximises Council-led control/accountability

C3. A due diligence analysis including the impacts legal, financial, commercial, operations and HR issues is also set out to help inform Members and to support the overall outcomes evaluation.

C4. It should also be noted that HMG LEP Transition Guidance sets out that decisions, where appropriate, on the transfer of assets should be agreed by the LEP, its Accountable Body, and respective local authorities **by March 2024**, though the practical integration and transfer process may stretch beyond that date. There are a number of procurement complications from 1<sup>st</sup> April 2024 that put additional emphasis on the need for pace.

## **D. OVERVIEW OF SERVICES**

D1. As noted above, **core functions** that are viewed as the primary functions of LEPs ‘as funded by government’ include:

- a. Embedding a strong, independent, and **diverse local business voice** into local democratic institutions.*
- b. Carry out **strategic economic planning** in partnership with local leaders that clearly articulates their area’s economic priorities and sectoral strengths.*
- c. **Delivering a number of functions [programmes]** on behalf of government departments, shaped by the local business voice where relevant.*

D2. In terms of Cheshire and Warrington and priority functions, the primary goal of the Council-owned company would be to support the realisation of the agreed sub-regional vision developed alongside the Cheshire and Warrington Sustainable and Inclusive Growth Commission (2020): "*to be the healthiest, most sustainable, inclusive, and growing economy in the UK.*"

D3. Objectives of Enterprise Cheshire and Warrington (EC&W) would be concentrated at the sub-regional level, complementing the efforts of each individual authority in the following areas:

**A. Strategic Economic Planning:**

- Completing and publishing the Cheshire and Warrington Sustainable and Inclusive Economic Plan.
- Updating and publishing new strategic transport and skills plans for Cheshire and Warrington.
- Putting in place a new programme co-ordination and oversight body to ensure the successful delivery of the world's first net zero industrial cluster .
- Supporting elected leaders to put in place a Fair Employment Charter for Cheshire and Warrington.

**B. Economic Insight and Delivery:**

- Provide high-quality, forward-thinking evidence and insight to support the work undertaken by the LAs and ECW to make Cheshire and Warrington the healthiest, most sustainable, inclusive and growing place in the country
- Development and promotion of the Cheshire Science Corridor as a key national innovation hub.
- Ensure that people have the skills they need to realise the opportunities available to them in Cheshire and Warrington and that businesses are able to access the people they need including by funding 640 training places for shortage occupations.
- Working with regional partners to ensure that the £260 million available in Life Sciences and Evergreen investment funds supports the development of the Cheshire and Warrington economy as effectively as possible. Support all 84 secondary schools to deliver first class careers education for their students.

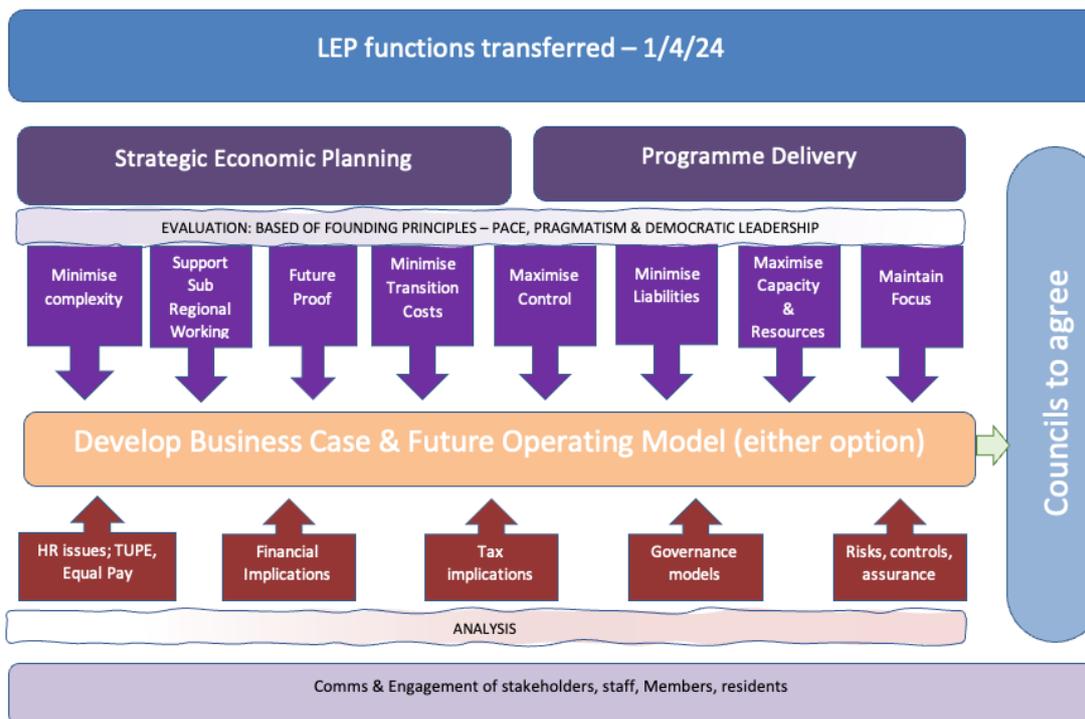
**C. Marketing Cheshire:**

- As the Visit England designated Local Visitor Economy Partnership (LVEP) for Cheshire and Warrington, lead on marketing Cheshire and Warrington as a great place to visit, live, work, invest and study.
- Develop and publish a Destination Management Plan alongside the Strategic and Inclusive Economic Plan.
- Support the creation of a Tourist Business Improvement District (TBID) in the Chester area
- Further strengthen the delivery of visitor information in Cheshire and Warrington but implementing the recommendations of the sub-region's review of visitor information.
- Offering excellent sub-regional communications and PR services.

D4. A suggested annual business plan accompanies this business case. If report recommendations are agreed, the Joint Committee will be asked to agree the business plan at its first meeting.

## E. OPTIONS APPRAISAL

E1. To ensure a consistent approach to analysis, a detailed options appraisal was conducted in early Autumn 2023. This overarching analysis can be summarised in the following diagram:



OFFICIAL-SENSITIVE Legal

E2. Summary of options analysis (benefits/risks) across main models considered:

Delivery Model	Benefits	Risks
<b>Status Quo (Limited Company model with 60:40 split in shares – Class A (Councils) and B (Private Sector Directors))</b>	<ul style="list-style-type: none"> <li>• Structure already in place</li> <li>• Capacity/Team in place</li> <li>• Recognised ‘brand’ with national profile</li> <li>• Is an option in HMG guidance</li> </ul>	<ul style="list-style-type: none"> <li>• Will be required to tender for all new activity (and potential re-tendering for existing). This is likely to be a complex and expensive/ time consuming arrangement from April 2024</li> <li>• Significant changes to funding model – with cost implications.</li> <li>• Not achieving the transfer of functions to Local Authorities</li> </ul>

<b>Delivery Model</b>	<b>Benefits</b>	<b>Risks</b>
<p><b>Winddown LEP with no agreed forward strategy/next steps</b></p>	<ul style="list-style-type: none"> <li>• Unclear what benefits arise from this course of action.</li> </ul>	<ul style="list-style-type: none"> <li>• Counter to HMG LEP Transition guidance</li> <li>• Significant changes to ‘dismantle’ existing contracts and work – high cost implications.</li> <li>• Contingent risks and liabilities will be transferred direct to Councils.</li> <li>• Government (and opposition) policy heavily ‘geared’ to sub-regional opportunities, including investment. Likely to lead to future disadvantages for Council investment prospects</li> </ul>
<p><b>Hosted Shared Sub-Regional Service. I.e. All LEP functions hosted by one Council but working towards sub-regional activities agreed by a Joint Committee.</b></p>	<ul style="list-style-type: none"> <li>• Model of shared service is well known to local authorities (Joint Committee to be established to oversee)</li> <li>• Avoids need to change Articles of current LEP company and set up shareholder/client/director processes.</li> <li>• Sub-regional functions would sit within a shared service model – therefore eliminating commercial risks associated with (Teckal) company.</li> <li>• Transferred (TUPE) staff will transfer existing T’s and C’s.</li> <li>• Councils have more experience working collectively through a shared service model than a joint-Teckal (and/or joint trading company).</li> </ul>	<ul style="list-style-type: none"> <li>• Will need to wind down LEP co.</li> <li>• Staff would need to TUPE to host local authority with negative cost and time implications.</li> <li>• The transfer process is potentially lengthy therefore creating hiatus in programme delivery and increasing risk of losing staff to undertake the programme delivery.</li> <li>• Potentially greater up-front set-up costs to complete all transfers</li> <li>• An equal inter authority agreement to share financial liabilities across the 3 Councils would need to be agreed.</li> <li>• Various contingent liabilities with financial impacts transferred to host Council (albeit indemnified by 3 x Council agreement)</li> <li>• Tax implications of asset transfer</li> </ul>

<b>Delivery Model</b>	<b>Benefits</b>	<b>Risks</b>
	<ul style="list-style-type: none"> <li>• Liabilities shared equally across Councils via Inter Authority Agreement</li> </ul>	<ul style="list-style-type: none"> <li>• May need a trading company in place for Marketing Cheshire (with subsequent legal process for shareholder, director, client) or trading function within shared service. Risk of losing LVEP status if not trading.</li> </ul>
<p><b>Council-owned Company</b></p>	<ul style="list-style-type: none"> <li>• Likely to be faster in the short term to integrate the LEP into a local authority controlled (Teckal) company</li> <li>• Maintains current capacity/resource and sub-regional approach.</li> <li>• No TUPE impacts</li> <li>• Liabilities across the Councils will be ‘ring-fenced’ within the limited company although in practical terms the Council will have to consider liabilities.</li> <li>• Joint (Shareholder) Committee gives control to local authorities across all reserved matters</li> <li>• Company Board of Directors appointed by Councils give direct accountability over operation of company.</li> <li>• Joint Committee holds Board to account.</li> <li>• Marketing Cheshire can remain within the controlled company structure</li> <li>• Joint Committee provides strategic direction and agrees business plan (and single sub-regional voice).</li> </ul>	<ul style="list-style-type: none"> <li>• Potential risk to local authorities from having a controlled company within their accounts</li> <li>• Contingent state aid/subsidy control risks</li> <li>• More complex governance structure than current – conflicts of interest need to be managed, new governance structure to be created</li> <li>• Services can only be provided through Teckal exemption and so new operating model will be needed to meet control tests</li> </ul>

Delivery Model	Benefits	Risks
	<ul style="list-style-type: none"> <li>Client function and Councils appointed Board of Directors will ensure business plan is delivered</li> </ul>	

## F. LEGAL FRAMEWORK

F1. In consideration of the Council-owned company model options analysis, a number of legal considerations were undertaken.

F2. Section 102 of the Local Government Act 1972 enables two or more local authorities to set up a Joint Committee (JC) to discharge their functions jointly. These arrangements must comply with the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000. JCs may be decision-making or advisory. The Councils Agree the terms of reference of the JC. JCs have no legal status, cannot impose financial obligations on their constituent authorities and have no powers to levy council tax. JCs are not a separate legal entity therefore they cannot own assets, have liabilities, raise taxes, enter into contracts or employ staff.

F3. Section 95 of the Local Government Act 2003 enables local authorities to provide on a commercial basis, anything that is related to a function of the authority. The powers under the Act enable Local Authorities to trade with private bodies and persons for profit (i.e. charges fixed at more than the cost recovery) through a company. Surpluses on commercial operations under the section 95 trading power would be available to individual authorities. This legislation has been further strengthened by the Localism Act 2011, which expands Local Authority's trading activities to areas not related to their existing functions and removes geographical boundaries so trading can take place for a variety of service provisions and anywhere in the UK through a company. A local authority has statutory powers to form companies jointly with other local authorities under Section 73 of the Local Government and Housing Act 1989.

F4. Normally, the provision of services over certain values from a company to a local authority is subject to the public procurement regime set out in the Public Contracts Regulations 2015. There is an exception to this rule that means, in certain circumstances, a contract let by a local authority to a company it owns will not be deemed to be a contract for the purposes of the public procurement regime. This exception is known as the "Teckal" exemption and was established by a European legal case but is now set out in section 12 of the Public Contracts Regulations 2015.

F5. In order for the Councils to be able to pass the work direct to a company model without tendering it, the **Teckal exemption** will have to be met. This will be broadly the same test under the new Procurement Act 2022 (when enacted) but it should be noted that there may be changes once finalised. It sets out:

- (a) The Councils must control the company and its activities in the same way they do their own departments
- (b) The company must predominantly undertake work for its controlling councils (an 80% test currently in the Procurement Bill 2022).

F6. Using the Teckal exemption will mean that a new operating model will need to be considered to ensure that it meets the 'control' test under Teckal. This will also give the opportunity of economies of scale.

F7. Pursuing a **non-Teckal** company structure would have significant procurement issues and would subject the company to the same commercial pressures and market risk as any other private sector entity competing in that market (if it is indeed in a 'market'). So the commercial relationship between the Councils and the company will be key if the Councils are seeking to establish a company for which they could use an exemption for its Council-led activities.

F8. The articles of the company can provide that it is used as a **joint Teckal-compliant** company, thereby enabling the Councils (x3 - via the Joint Committee) to make direct decisions to deliver functions, thereby saving time and cost compared with running a procurement exercise.

F9. Headline issues to note include:

- As a Teckal-compliant entity, it is essentially the same as one of the Councils' own departments
- Teckal will enable **Marketing Cheshire** impacts to be managed. As a subsidiary of the Council-owned company, Marketing Cheshire would fall within the overall Teckal turnover limits. It will, however, be necessary to monitor the turnover of the companies as a group structure, i.e. including Marketing Cheshire, to ensure that at least 80% of its income is derived from work via the Councils.
- The basic Teckal test covers the following:
  - Control – Council (x3) control which is similar to that which it exercises over its own departments. "Control" will be established where all of the following conditions are fulfilled:
    - (a) it exercises a decisive influence over both strategic objectives and significant decisions of the controlled legal entity, or
    - (b) the control is exercised by another legal entity which is itself controlled in the same way by the contracting authority.
  - Essential activities - more than 80% of the activities of the controlled legal entity are carried out in the performance of tasks entrusted to it by the controlling authority (Joint Committee) or by other legal persons/entities controlled by that authority. In this context, "activities" refers to the average total turnover or an appropriate alternative activity-based measure such as costs incurred by the relevant legal entity with respect to services, supplies and works for the 3 preceding years.

- Where there is more than one controlling contracting authority in a Teckal vehicle, this is referred to as "**joint Teckal**" and the control and essential activities tests are modified slightly:
  - Control - the contracting authorities exercise jointly a control over that legal entity which is similar to that which they exercise over their own departments. "*Joint control over that legal entity*" will be established where all of the following conditions are fulfilled:
    - the decision-making bodies of the controlled legal entity are composed of representatives of all participating authorities (although individual representatives may represent several or all of the participating authorities);
    - those authorities are able to jointly exert decisive influence over the strategic objectives and significant decisions of the controlled legal entity; and
    - the controlled legal entity does not pursue any interests which are contrary to those of the controlling authorities.
  - Essential activities - more than 80% of the activities of that legal entity are carried out in the performance of tasks entrusted to it by the controlling authorities or by other legal entities controlled by the same contracting authorities.

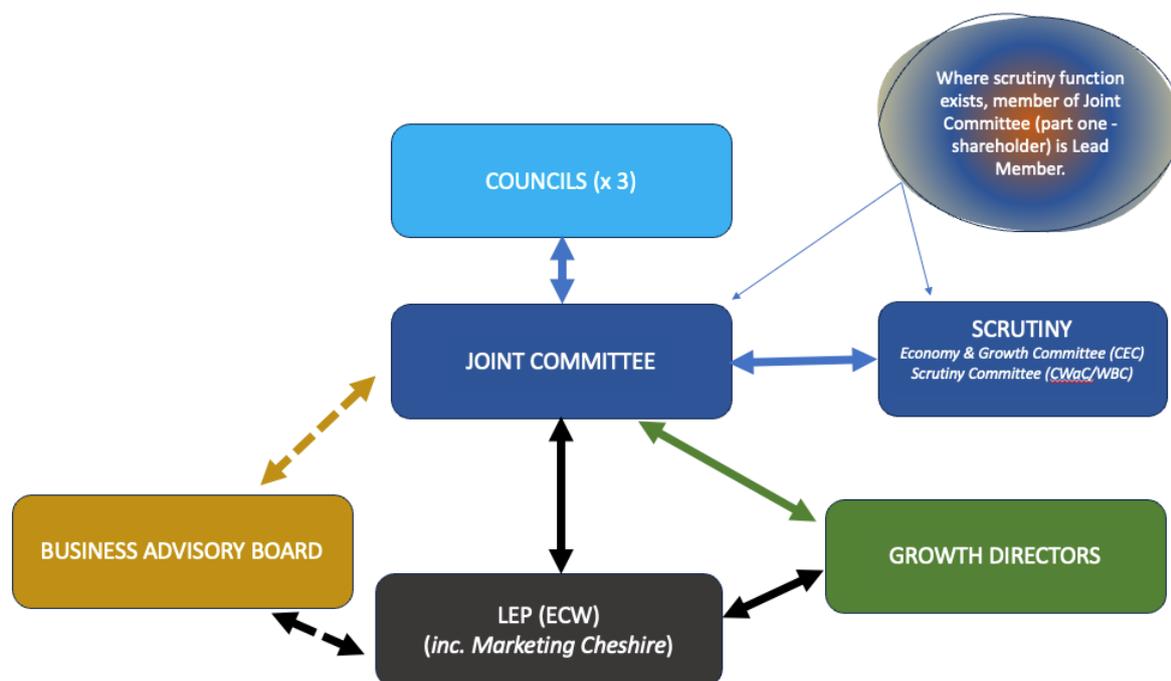
## **G. Corporate Structure and Governance**

G1. To ensure liabilities remain limited, the current **Company Limited by Guarantee** (CLG) structure would remain in place.

- There is a lower administrative burden for maintaining a CLG
- A CLG is a very well established structure that is used for not-for-profit entities, that also has flexibility to convert, if circumstances change in the future
- A CLG is a separate legal entity and enables the potential for ring-fencing of liabilities. On paper, the "limited by guarantees" structure limits the Councils liabilities. However, there is a question as to the extent to which the Councils would realistically allow a company to fail without meeting their liabilities. This would carry significant reputational risk. Consideration would be needed with regard to what interventions the Councils would make should the company(s) make significant losses.
- Within a Teckal-compliant company structure, owned by the three Councils equally as shareholders, Marketing Cheshire would remain as a subsidiary of the 'group' and should fall within the overall Teckal turnover limits (*which is currently the case*). It will, however, be necessary to monitor the turnover of the company (group) to ensure that at least 80% of its income is derived from the Councils.
- There is the potential to run a full trading company as a subsidiary of the group should issues over turnover make Teckal exemptions unviable.

G2. The company's governance framework will need to be designed and implemented to ensure compliance with the "control" limb of the Teckal test and various measures will need to be put in place to ensure accountability e.g. performance indicators.

G3. To support the jointly owned company structure, a Joint Committee comprised of all three Councils could be put in place. This would provide joint Council oversight and control of sub-regional economic development work and the work of council-owned company (with a recommended name of **Enterprise Cheshire and Warrington**). The Joint Committee would be a formal committee of the Councils and align to the current governance structure as follows:



G4. The Joint Committee sets the strategic direction and would need to:

- sign off a periodic business plan – this may be an annual plan or a multi-year plan updated on a rolling basis; and
- exercise control over key decisions through the requirement for unanimous approval of certain "reserved matters".
- the Joint Committee will have the right to appoint, remove and replace board directors – and will hold the company board to account.

G5. Members of the Committee would be supported by a Management Group, comprising senior officers from the three Councils and led by the three Council's Growth Directors. This group would act as the operational "client" for the council-owned company, ensuring, via a service agreement that it delivers the sub-regional priorities agreed by the Joint Committee.

G6. The Scrutiny function can be undertaken by the Councils, through the Member on the Joint Committee being the lead accountable member.

G7. Following the formal end of the current C&W LEP Board a Business Advisory Board would be created. To maintain the current practice of excellent business engagement and influence in the sub-regional economic agenda for Cheshire and Warrington, it is proposed that the Chair of the Business Advisory Board would sit as a non-voting member of the Committee.

G8. Whilst the Joint Committee would have matters reserved to it i.e. that only the shareholders can agree, there also needs to be a board of directors to comply with company regulations. The purpose of this board would only be to deal with essential legal elements of a company board. Overall direction of the council-owned company will be led by the Joint Committee supported by senior Officers of the three Councils owners. As a consequence of that, it is proposed that Council Officers, with corporate experience and expertise, will sit on the company board.

G9. An accountable body for the company will need to be in place – Cheshire East Council are the current accountable body and are prepared to remain in that role.

## H. Analysis

H1. The following section highlights the findings of the detailed options analysis conducted in Autumn 2023, focusing on the implications of the preferred company model option for both C&W LEP and Marketing Cheshire. The elements of this analysis that could be primary areas of risk to the Councils are detailed further in the accompanying due diligence report, in particular legal, financial, commercial and HR risks.

### H2. C&W LEP to Council owned company model:

Analysis	Advantages	Disadvantages
<i>Legal</i>	<ul style="list-style-type: none"> <li>Some contracts may not need to be novated (some may, as functions have transferred)</li> </ul>	<ul style="list-style-type: none"> <li>Integration may be needed to support future devolution – including TUPE/contract novation to a combined authority if established.</li> <li>Company structure may have more administrative burden (operating model tbc)</li> </ul>
<i>Financial</i>	<ul style="list-style-type: none"> <li>Accountable body function will still be in place (Cheshire East Council) to assure across appropriate spend</li> <li>'Reverse Teckal' back office recharge facility may prove more cost effective</li> </ul>	<ul style="list-style-type: none"> <li>Insolvency risk remains (low)</li> <li>Teckal financial limits will need to be monitored (note MC within group 20%). <i>(Note changes to Procurement Act currently going through Parliament may impact).</i></li> <li>Future EZ loan repayments reliant on future business rates growth</li> <li>VAT treatment tbc.</li> </ul>
<i>Commercial</i>	<ul style="list-style-type: none"> <li>Likely to be faster in the short term to integrate the LEP into a local authority controlled (Teckal) company</li> <li>Resolves the Marketing Cheshire impact</li> </ul>	<ul style="list-style-type: none"> <li>Potential risk to local authorities from having a controlled company within their accounts</li> <li>Contingent state aid/subsidy control risks</li> </ul>

Analysis	Advantages	Disadvantages
		<ul style="list-style-type: none"> <li>Group Teckal structure will need to be monitored to ensure Marketing Cheshire within Teckal limits.</li> </ul>
<i>HR</i>	<ul style="list-style-type: none"> <li>No TUPE impacts at this stage.</li> <li>Employment contracts continue with the existing company and the liabilities associated with the contracts would need to be settled by the company. <i>(Figures for the LEP and MC on Payments in Lieu of Notice and Redundancy have been provided separately).</i></li> </ul>	<ul style="list-style-type: none"> <li>Councils may be exposed to equal pay claims, although analysis conducted highlights this as a low risk.</li> </ul>
<i>Governance</i>	<ul style="list-style-type: none"> <li>Joint (Shareholder) Committee gives control to local authorities across all reserved matters</li> <li>Company Board of Directors appointed by Councils give direct accountability over operation of company.</li> <li>Marketing Cheshire can remain within the controlled company structure</li> </ul>	<ul style="list-style-type: none"> <li>More complex governance structure than current – conflicts of interest need to be managed, NED board to be set up etc.</li> <li>Performance indicators need to be set up and managed, control measures to be put in place to comply with Teckal.</li> </ul>
<i>Strategic</i>	<ul style="list-style-type: none"> <li>Joint Committee provides strategic direction and agrees business plan (and single sub-regional voice).</li> <li>Client function and Councils appointed Board of Directors will ensure business plan is delivered</li> </ul>	
<i>Operational</i>	<ul style="list-style-type: none"> <li>Less disruptive model in short to medium term enables focus on operational delivery</li> <li>Company will work to an agreed business plan and PIs and be subject to agreed performance measures</li> </ul>	<ul style="list-style-type: none"> <li>Services can only be provided through Teckal exemption and so new operating model will be needed to meet control tests</li> </ul>
<i>Risk management</i>	<ul style="list-style-type: none"> <li>Liabilities across the Councils will be 'ring-fenced' within the limited company although in practical terms the Council will have to consider liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>A full risk register across all impacts (via due diligence) is still to be completed. <i>(*NB: Post due diligence there are no significant/critical issues to report – these are outlined in section J)</i></li> </ul>

Analysis	Advantages	Disadvantages
		<ul style="list-style-type: none"> <li>Risk of company failure.</li> </ul>
<i>Accountability/ transparency</i>	<ul style="list-style-type: none"> <li>Joint-Teckal compliance will require additional Councils' control – i.e. the company will need to operate primarily as a shared Council (sub-regional) department</li> <li>Joint Committee holds Board to account.</li> </ul>	<ul style="list-style-type: none"> <li>Accountable body for Teckal company will need to be agreed</li> </ul>
<i>Programme</i>	<ul style="list-style-type: none"> <li>Programmes could continue to deliver seamlessly – noting that the JC and Board may want to change emphasis or direction where appropriate.</li> <li>As due diligence is not yet complete, there may be opportunities related to programme delivery that provide additional benefits under this model. (*NB: Post due diligence there are no significant issues to report)</li> </ul>	<ul style="list-style-type: none"> <li>As due diligence is not yet complete, there may be issues related to programme delivery that could prove problematic, particularly under a Teckal relationship. (*NB: Post due diligence there are no significant issues to report)</li> </ul>

**H3. Marketing Cheshire to Council owned company model:**

Analysis	Advantages	Disadvantages
<i>Legal</i>	<ul style="list-style-type: none"> <li>Limited changes to Articles</li> <li>MC remains within the controlled company structure</li> </ul>	<ul style="list-style-type: none"> <li>Will need to monitor Teckal exemption limit for trading activities (NB: will lose LVEP status if no trading).</li> </ul>
<i>Financial</i>	<ul style="list-style-type: none"> <li>Will need to monitor turnover figures to ensure Teckal compliance (current figures fall comfortably within limits as part of 'Group structure').</li> </ul>	<ul style="list-style-type: none"> <li>Requires minimum trading income of £300k p.a.</li> </ul>
<i>Commercial</i>	<ul style="list-style-type: none"> <li>Ability to maintain trading status (and retain LVEP).</li> <li>Board will retain commercial oversight</li> </ul>	<ul style="list-style-type: none"> <li>Potential risk to local authorities from having a controlled company within their accounts</li> </ul>
<i>HR</i>	<ul style="list-style-type: none"> <li>Maintains current staff expertise.</li> </ul>	<ul style="list-style-type: none"> <li>Councils may be exposed to equal pay claims although analysis conducted highlights this as a low risk.</li> </ul>
<i>Governance</i>	<ul style="list-style-type: none"> <li>Maintains consistency and oversight on corporate</li> </ul>	<ul style="list-style-type: none"> <li>Relationship with MC Board and new governance to be confirmed.</li> </ul>

Analysis	Advantages	Disadvantages
	governance with an aligned company board (to EC&W). <ul style="list-style-type: none"> <li>Maintains content expertise with an external advisory board.</li> </ul>	
<i>Strategic</i>	<ul style="list-style-type: none"> <li>Joint Committee ensures single voice for sub-regional strategy</li> <li>Maintains an advisory function for sector experts.</li> </ul>	<ul style="list-style-type: none"> <li>Potential for disconnect between commercial and corporate imperatives and strategic direction.</li> </ul>
<i>Operational</i>	<ul style="list-style-type: none"> <li>Lose LVEP status if MC not trading</li> </ul>	<ul style="list-style-type: none"> <li>New operating model will be needed to meet control tests (Teckal)</li> </ul>
<i>Risk management</i>	<ul style="list-style-type: none"> <li>A full risk register across all transfer impacts (via due diligence) is still to be completed. (<i>*NB: Post due diligence there are no significant/critical issues to report – these are outlined in section J)</i></li> </ul>	<ul style="list-style-type: none"> <li>A full risk register across all transfer impacts (via due diligence) is still to be completed. (<i>*NB: Post due diligence there are no significant/critical issues to report – these are outlined in section J)</i></li> </ul>
<i>Accountability/transparency</i>	<ul style="list-style-type: none"> <li>Joint Committee acts a shareholder and controlling committee.</li> <li>Maintains relationship to Advisory Board.</li> </ul>	
<i>Programme</i>	<ul style="list-style-type: none"> <li>Limited impacts to programme (BAU in the main)</li> </ul>	<ul style="list-style-type: none"> <li>Will need to maintain focus on commercial income limits (Teckal). Note – as subsidiary well within limits).</li> </ul>

## I. FINANCIAL CASE

11. At the end of December 2023 the Government informed LAs that it would provide core funding of £240,000 in 2024/5 towards the cost of functions undertaken by LEPs until March 2025. This funding will be paid to Cheshire East as the Accountable Body for these functions in Cheshire and Warrington. This is a reduction of £10k on the core funding provided to the LEP in 2023/4. Funding beyond this point will be subject to future Spending Review decisions.

12. It should be noted that the HMG revenue support of £240k is a relatively small part of the council-owned company model's total expected income in 2024/5 of £8.605 million, which is made up of funding from the Departments for Education, Business and Trade and Energy Security and Net Zero to deliver specified programmes, retained business rates, interest on capital balances grants from Cheshire and Warrington Councils to Marketing Cheshire and £30k each from the three Councils. It should also be noted that the Marketing Cheshire

funding model is based on around 35% traded services. Income via trading is a requirement of LVEP<sup>4</sup> status.

- ⇒ The current funding model of the LEP (and Marketing Cheshire as its subsidiary) could effectively transfer to Teckal company arrangements - although the Councils would have to consider how to find the shortfall from the withdrawal of Government funding .
- ⇒ If current suppliers are not transferred, to comply with Teckal, any back office support should be recharged at cost (reverse Teckal implications)
- ⇒ Financial implications of any equal pay claims would have to be carefully evaluated and the risks assessed.
- ⇒ There may be further funding model considerations at a point in the future when new devolution structures might be agreed.

13. A revised budget will form a key part of the Enterprise Cheshire and Warrington business plan for Members approval. However, in summary, and for the purposes of the considerations behind this business case, the following examines budget implications for a Council-owned company model based on the 2022-23 budget for both the C&WLEP and Marketing Cheshire (as a wholly owned subsidiary of the C&WLEP):

	<b>Income Source</b>	<b>Functions</b>	<b>2022-23 Value (£000)</b>	<b>Contractual nature relating to income source</b>	<b>Potential implications for Council-owned company</b>
1	General Grant from Government	<p>Sub-regional economic intelligence, policy development and creation of supporting plans and corporate governance.</p> <p>Activity covers:</p> <ul style="list-style-type: none"> <li>• Sustainable and Inclusive Economic Plan</li> <li>• Sustainable and Inclusive Growth Commission</li> </ul>	£250	<p>Letter from department inviting application for funding.</p> <p>Until 2022-23, it was a condition to receive the grant that local match funding of a minimum of 50% of the grant (i.e., £125k) was obtained. For 2023-24, that condition was</p>	<p>Broadly, continues “as is”. Board and or officers likely to have delegated authority from shareholders (tbc).</p>

<sup>4</sup> Marketing Cheshire is the Destination Management Organisation (DMO) for Cheshire and Warrington (C&W) and in 2023 became one of the first Local Visitor Economic Partnerships (LVEPs) in the UK in 2023 within the Visit England programme.

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
		<ul style="list-style-type: none"> <li>Establishing C&amp;W as world's first Net Zero Hub</li> <li>Strategic Transport</li> <li>Developing proposals for tax incentive zones (e.g. Freeports, Investment Zones)</li> <li>Developing proposals for investment subsidies (e.g. to retain major employers)</li> <li>Housing Pathfinders</li> <li>Support on priorities for sub-region and devolution.</li> <li>Fair Employment Charter</li> <li>Digital Connectivity</li> <li>Workforce, Labour market analysis and Skills</li> </ul>		removed (but it had been planned for and agreed by LA)	
2	Local Authority Subscriptions	<p>Sub-regional economic intelligence, policy development and creation of supporting plans</p> <p>Activity covers:</p> <ul style="list-style-type: none"> <li>Sustainable and Inclusive Economic Plan</li> </ul>	£94 (3 x £31)	Agreed with LA as part of annual budget setting process	Business plan agreed by Joint Committee.

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
		<ul style="list-style-type: none"> <li>• Sustainable and Inclusive Growth Commission</li> <li>• Establishing C&amp;W as world’s first Net Zero Hub</li> <li>• Strategic Transport</li> <li>• Developing proposals for tax incentive zones (e.g. Freeports, Investment Zones)</li> <li>• Developing proposals for investment subsidies (e.g. to retain major employers)</li> <li>• Housing Pathfinders</li> <li>• Support on priorities for sub-region and devolution.</li> <li>• Fair Employment Charter</li> <li>• Digital Connectivity</li> <li>• Workforce, Labour market analysis and Skills</li> </ul>			
3	Retained Business Rates Local Authority Match	<p>Sub-regional economic intelligence, policy development and creation of supporting plans</p> <p>Activity covers:</p>	£94	Agreed with LA as part of annual budget setting process	Functions agreed by shareholder joint committee and budget recommended to Councils.

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
		<ul style="list-style-type: none"> <li>• Sustainable and Inclusive Economic Plan</li> <li>• Sustainable and Inclusive Growth Commission</li> <li>• Establishing C&amp;W as world’s first Net Zero Hub</li> <li>• Strategic Transport</li> <li>• Developing proposals for tax incentive zones (e.g. Freeports, Investment Zones)</li> <li>• Developing proposals for investment subsidies (e.g. to retain major employers)</li> <li>• Housing Pathfinders</li> <li>• Support on priorities for sub-region and devolution.</li> <li>• Fair Employment Charter</li> <li>• Digital Connectivity</li> <li>• Workforce, Labour market analysis and Skills</li> </ul>			
4	Management fees charged to administer investment programmes.	<p>Programme Management</p> <ul style="list-style-type: none"> <li>• Monitoring reports on Local Growth</li> </ul>	£0	Fee is an agreed sum with government department. The capital sums	Broadly, continues “as is”.

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
		<p>Fund investments (bi-annual)</p> <ul style="list-style-type: none"> <li>• Monitoring reports on Local Growth Fund Skills projects.</li> <li>• Monitoring reports on Getting Building Fund projects.</li> </ul>		are granted by the LA (CEC) to the recipient	
5	Management fees charged to administer skills bootcamps programmes.	<p>Programme Management of grant programme entering its' third year in 2024-25. Total grant allocation ca. £3M over three rounds of funding. Currently involves more than 20 bootcamps being delivered by 15 training providers, each covered by a separate grant contract.</p>	£155	<p>Fee is an agreed sum with DfE. DfE pays to CEC for the CWLEP. The training grant sums are granted by the LA (CEC) to the recipient.</p>	Broadly, continues "as is".
6	Grant for Digital Skills Partnership	<p>Programme Management</p> <p>Funding stops in 2022-23, but it is a requirement to develop a "legacy" plan beyond August 2023. DfE may therefore seek progress reports.</p>	£55	Grant Agreement which runs over two financial years (Sept to Aug)	Broadly, continues "as is".

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
7	Grant for Skills Advisory Panel	<p>Programme Management</p> <p>Funding stops in 2022-23, but it is a requirement to develop a “legacy” plan beyond August 2023. DfE may therefore seek progress reports.</p>	£55	Grant Agreement which runs over two financial years (Sept to Aug)	Broadly, continues “as is”.
8	Grant for the Growth Hub	<p>Growth Hub</p> <p>Activities cover:</p> <ul style="list-style-type: none"> <li>• Provision of business support on a range of business issues; start up; access to finance, grant funding, export, recruitment etc.</li> <li>• Signposting of enquiries to advisors</li> <li>• Gathering business intelligence; confidence levels, data on business activities.</li> </ul>	£231 - £260	Grant Agreement	Broadly, continues “as is”.
9	Grant for Inward Investment	Inward Investment	£68	Grant Agreement	Broadly, continues “as is”.

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
10	Careers and Enterprise Company Grant. These grants include capacity funding, careers hub fund, teachers engagement fund.	Programme Management  Activities cover: <ul style="list-style-type: none"> <li>Engagement with 85+ schools in C&amp;W to enhance careers information offer, join up schools with prospective employers.</li> </ul>	£300	Grant Agreement which runs over two financial years (Sept to Aug).	Broadly, continues "as is".
11	Pledge (ESF Grant administered by DWP)	Programme Management	£60	Delivery partner on a programme led by Changing Young Lives (YouthFed). Finishes November 2023.	Broadly, continues "as is".
12	Pledge (NHS Contribution)	Programme Management	£67	Correspondence between LEP and NHS and that the pledge will use all the funding provided to deliver outcomes specified by NHS.	Broadly, continues "as is".
13	Grant for North West Net Zero capacity	Programme Management	£65	Grant Agreement between Liverpool City Region and the LEP	Broadly, continues "as is".
14	Grant for North West	Project Funds	£50	Grant Agreement between	Broadly, continues "as is".

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
	Net Zero projects			Liverpool City Region and the LEP	
15	Grant UKRI (for Net Zero)	Programme Management	£100	Grant Agreement	Broadly, continues "as is".
16	Supplementary Revenue Grants (arising from interest earned by CEC on balances held by them)	<p>Programme Management, Sub-regional economic intelligence, policy development and creation of supporting plans and corporate governance</p> <p>Activity covers:</p> <ul style="list-style-type: none"> <li>• Sustainable and Inclusive Economic Plan</li> <li>• Sustainable and Inclusive Growth Commission</li> <li>• Establishing C&amp;W as world's first Net Zero Hub</li> <li>• Strategic Transport</li> <li>• Developing proposals for tax incentive zones (e.g. Freeports, Investment Zones)</li> <li>• Developing proposals for investment subsidies (e.g. to retain major employers)</li> <li>• Housing Pathfinders</li> </ul>	£400	Collaboration Agreement between Cheshire East and LEP dated 15.6.2022	Broadly, continues "as is".

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
		<ul style="list-style-type: none"> <li>• Support on priorities for sub-region and devolution.</li> <li>• Fair Employment Charter</li> <li>• Digital Connectivity</li> <li>• Workforce, Labour market analysis and Skills</li> </ul>			
17	Retained Business Rates to fund the EZ Science Corridor Programme	<p>Programme Management of the Cheshire Science Corridor Enterprise Zone</p> <p>Activities cover:</p> <ul style="list-style-type: none"> <li>• Identification of potential investment projects</li> <li>• Estimation of “funding gap”</li> <li>• Liaison with other funders of developments</li> <li>• Negotiation of Grant terms</li> <li>• Independent due diligence of construction costs and assessment of future business rates income</li> </ul>	£300	Agreed with LA as part of annual budget setting process.	Broadly, continues “as is”.

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
		<ul style="list-style-type: none"> <li>• Oversight of preparation of legal agreements – grant agreements, performance agreements, intercreditor agreements etc</li> <li>• Securing authorisation from board and credit committee</li> <li>• Drawing project loan</li> <li>• Compliance checking claims from developers</li> <li>• Authorising payment of grant claims</li> <li>• Monitoring performance of outputs.</li> </ul> <p>Grant agreements in place:</p> <ul style="list-style-type: none"> <li>• Glasshouse</li> <li>• Blocks 22-24</li> <li>• Helix</li> <li>• Aviator</li> <li>• Newport Rhino</li> <li>• Quadrant phase 2</li> <li>• Vortex</li> </ul> <p>Approx value £15.5M</p>			

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
		Growth Corridor Plans <ul style="list-style-type: none"> <li>• Housing Pathfinders</li> <li>• Regeneration schemes</li> <li>• HS2 opportunities</li> <li>• Organising C&amp;W presence at UKREiFF</li> </ul>			
18	Retained Business Rates to fund the LEP's loan repayments	Investment in Enterprise Zone Projects	£1,200	Each project loan and the associated repayment schedule are agreed by the LA Credit Committee. The total value required for loan instalments is agreed with LA as part of annual budget setting process.	Broadly, continues "as is".
19	Retained Business Rates to fund specific projects	Sub-regional economic development (e.g. business case fund, place marketing)	£200	Agreed with LA as part of annual budget setting process.	Broadly, continues "as is".
20	Retained Business Rates to fund policy development	Sub-regional economic intelligence, policy development and creation of supporting plans	£470	Agreed with LA as part of annual budget setting process.	Broadly, continues "as is".
21	Income from realisations within the	Investment in two Life Science Funds and	£216	The fund governing documentation	Broadly, continues "as is".

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
	investment funds	<p>monitoring of the funds</p> <p>Investor, as a partner, and oversight, as member of the Investment Advisory Panel, of Life Sciences Fund 1 and Life Sciences Fund 2. (Value £50M)</p> <p>Including setting the strategic objectives and investment operating guidelines for the funds, procuring fund managers, negotiation of legal documents pertaining to the funds, monitoring performance of the fund managers, securing relevant approvals, managing LEP contributions to the funds during the investment and follow on periods, managing funds returned from the fund.</p>			
22	Income relating to NP11	<p>Activity covers:</p> <ul style="list-style-type: none"> <li>• Supporting the Chair with briefings, policy material etc</li> <li>• Recruitment and</li> </ul>	£500	The LEP provides a contracting function for NP11 which is not a legal entity in its' own right.	Broadly, continues "as is".

	Income Source	Functions	2022-23 Value (£000)	Contractual nature relating to income source	Potential implications for Council-owned company
		employment contracts <ul style="list-style-type: none"> <li>• Procurement and contracting of various services</li> </ul>			
23	Partner Contributions towards specific operating activities E.g. Jobs Portal, some consulting contracts		£50	LEP is the contracting body for a service but agrees contributions toward it from other partners.	Broadly, continues “as is”.
24	Overhead recovery from Programmes	Corporate Functions e.g. Finance, IT, HR, Procurement, Office Services	£200	Internal financial policy that programmes contribute towards the costs of services they require to function.	Broadly, continues “as is”.

#### 14. Marketing Cheshire

	Income Source	Functions	2022-23 Value (£000)	Contractual Nature relating to income source	Potential implications for Council-owned company model
1	Local Authority Grant (CWaC)	Promote the visitor economy	£86	5 year grant contract – renewed Oct 2022	Can remain a subsidiary of NewCo and continue to

	Income Source	Functions	2022-23 Value (£000)	Contractual Nature relating to income source	Potential implications for Council-owned company model
					operate broadly as is.
2	Local Authority Grant (CEC)	Promote the visitor economy	£55	SLA	Broadly, continues "as is".
3	Local Authority Grant (WBC)	Promote the visitor economy	£17k	SLA	Broadly, continues "as is".
4	Visit England Grant (Heritage Action Zone)	Promote the visitor economy	£15k	Grant agreement	Broadly, continues "as is".
5	Local Authority Grant (CWaC)	Support of Visitor Information Centre	£72	5 year grant contract – renewed Oct 2022	Broadly, continues "as is".
6	Commercial Retail	VIC Merchandise	£150	Retail transactions	Broadly, continues "as is".
7	Commercial – Ticket Commission	VIC Merchandise	£10	Agreements with attractions and transport providers	Broadly, continues "as is".
8	Commercial – Partnership Membership Subscriptions	Visitor Economy Services Press Engagement to promote area and attractions.	£70	Annual subscriptions	Broadly, continues "as is".
9	Commercial – Events, Guides etc	Commercial Services Tourism Awards	£110	Ad-hoc contracts	Broadly, continues "as is".
10	"SLA" LEP	Marketing, PR, Website Management, LEP Events	£135	Informal agreement that MC provides certain functions to the LEP.	Broadly, continues "as is".

	<b>Income Source</b>	<b>Functions</b>	<b>2022-23 Value (£000)</b>	<b>Contractual Nature relating to income source</b>	<b>Potential implications for Council-owned company model</b>
11	Retained Business Rates - Sub-regional projects	Place Marketing	£200	Informal agreement that MC provides certain functions to the LEP.	Broadly, continues "as is".
12	Destination Chester – contributions	A "partnership" to promote the Chester visitor economy	£50-£100	Contributors include CWaC, Tourism for Wales, Arriva Trains	Broadly, continues "as is".
13	Corporate Services	Activity covers: All aspects of finance, payroll, banking pensions management, insurance, audit, company secretarial, HR policy and operations, IT and mobile communications provision including cyber security, GDPR, procurement and commercial, legal support, office accommodation and facilities management.		Jointly contracted with the LEP for accounting software, HR, IT.	Broadly, continues "as is".
14	Capacity and Solvency	Continuing to exist			Integration with the LEP has allowed MC to perform contracts which, without the financial backing of

	Income Source	Functions	2022-23 Value (£000)	Contractual Nature relating to income source	Potential implications for Council-owned company model
					the LEP, it could not finance (e.g. Welcome Back Fund) or when during Covid, as a stand-alone entity it would likely have become insolvent.

### J. RISK (Note detail also contained within due diligence report)

RISK	MITIGATION	LIKELIHOOD	IMPACT
Potential risk to local authorities from having a controlled company within their accounts.	Maintain as a company limited by guarantee under Teckal arrangements. Note Councils already have 20% share (which is increasing to 33%)		
Risk of disputes with the other shareholder Councils over the future direction of the Council-owned company or that one Council will want to withdraw from the Council-owned company.	These risks can be mitigated by ensuring that they are covered within the shareholder agreement/Articles and providing that any Council who wishes to withdraw has to indemnify the others against subsequent losses and give one year's notice.		
There is a risk that Council-owned company will lose its Teckal compliant status as a result of trading by Marketing Cheshire.	This can be mitigated by close monitoring of their finances. (Overseen by Accountable Body).		
As a Council-owned company there may be an issue of equal pay as it could potentially be	The C&W LEP have provided a list of their current establishment and the Councils have considered this against their own establishment to		

RISK	MITIGATION	LIKELIHOOD	IMPACT
considered an 'associated company'.	ascertain whether there are any potential equal pay issues. CEC/WBC/CWAC have/have no equal pay risks from the staffing at the C&W LEP but this should be kept under review.		
There is a risk that the Board of Marketing Cheshire (currently made up of a number of business owners and councillors) and the shareholders will not agree on the future direction of the business	This can be partly mitigated by ensuring the Councils work as closely as possible with the Board to identify approaches that reflect both the views of Board members and the Councils as owners of the business		
There is a risk that the representatives on the Business Advisory Board do not feel that they are making a valid contribution or their views are not being considered	This can be mitigated by ensuring a proper appointment process and induction, being clear about the role and responsibilities.		
There is a risk of Government funding and programmes drying up	This risk would be in place without the increased shareholding. The C&W LEP has developed a number of programmes (including 'evergreen investment') which will support in-going activity for local economic growth.		
Contingent liabilities/risks to the Councils.	The C&W LEP have provided a copy of their risk register, which discloses that their highest risks relate to the current uncertainty in the transition to local authority ownership. These risks will be mitigated if the Councils' shareholding is increased. Due diligence has not highlighted any other major risks in this area.		
There is a risk that the Councils do not appropriately manage the Council-owned company and leave themselves exposed to financial risks.	Creating a Council-owned company is increasing the level of existing shareholding – therefore Councils already have some exposure to this. Proposed governance arrangements		

RISK	MITIGATION	LIKELIHOOD	IMPACT
	should provide greater control and focus		

		Impact →				
		Negligible	Minor	Moderate	Significant	Severe
Likelihood ↑	Very Likely	Low Med	Medium	Med Hi	High	High
	Likely	Low	Low Med	Medium	Med Hi	High
	Possible	Low	Low Med	Medium	Med Hi	Med Hi
	Unlikely	Low	Low Med	Low Med	Medium	Med Hi
	Very Unlikely	Low	Low	Low Med	Medium	Medium

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