

# **BIRMINGHAM CITY COUNCIL**

## **CABINET COMMITTEE - GROUP COMPANY GOVERNANCE**

**WEDNESDAY, 17 APRIL 2019 AT 11:00 HOURS**  
**IN ELLEN PINSENT ROOM, COUNCIL HOUSE, VICTORIA**  
**SQUARE, BIRMINGHAM, B1 1BB**

### **A G E N D A**

1 **APOLOGIES**

To receive any apologies.

2 **DECLARATIONS OF INTERESTS**

Members are reminded that they must declare all relevant pecuniary and non pecuniary interests arising from any business to be discussed at this meeting. If a disclosable pecuniary interest is declared a Member must not speak or take part in that agenda item. Any declarations will be recorded in the minutes of the meeting.

**3 - 8**

3 **PUBLIC NOTES OF THE LAST MEETING**

Public Notes of the last meeting to be confirmed.

**9 - 14**

4 **TRAINING - UPDATE FOR COMPANY MEMBERS AND COMPANY DIRECTORS**

Information Update.

**15 - 18**

5 **COMPANY UPDATE**

Report of the Corporate Director, Finance and Governance.

**19 - 26**

6 **GROUP COMPANY GOVERNANCE - SECTION 24 RECOMMENDATIONS**

Report of the Corporate Director, Finance and Governance.

**27 - 56**

7 **GROUP COMPANY - RISK REGISTER**

Report of the Corporate Director, Finance and Governance.

8 **MEMBERSHIP AND GOVERNANCE OF THE CABINET COMMITTEE**  
**GCG**

The Report of the City Solicitor was submitted.

9 **SCHEDULE OF MEETINGS FOR THE MUNICIPAL YEAR 2019/20**

Wednesday 5 June 2019 at 1300 hours - 1500 hours in Committee Room 2  
Thursday 12 September 2019 at 1300 hours - 1500 hours in HMS Daring  
Thursday 7 November 2019 at 1400 hours - 1600 hours in HMS Daring  
Thursday 16 January 2020 at 1400 hours - 1600 hours in HMS Daring  
Thursday 12 March 2020 at 1400 hours - 1600 hours in HMS Daring

10 **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman are matters of urgency.

11 **EXCLUSION OF THE PUBLIC**

That in view of the nature of the business to be transacted which includes exempt information of the category indicated the public be now excluded from the meeting:-

Exempt Paragraph 3

**P R I V A T E   A G E N D A**

12 **PRIVATE NOTES OF THE LAST MEETING**

Item Description

13 **OTHER URGENT BUSINESS (EXEMPT INFORMATION)**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman are matters of urgency.

# BIRMINGHAM CITY COUNCIL

## **CABINET COMMITTEE – GROUP COMPANY GOVERNANCE**

**Wednesday 13 February 2019 at 1130  
hours in Committee Room 6, Council  
House, Victoria Square, Birmingham B1  
1BB**

### **Attendance:**

Councillor Brigid Jones, Deputy Leader, in the Chair;  
Councillors: Tristan Chatfield, Debbie Clancy, Jon Hunt and Gareth Moore

### **Also in Attendance:**

Kate Charlton	City Solicitor	
Connie Price	Head of Service - Legal	
Georgina Dean	Solicitor	
Martin Stevens	Head of City Finance Accounts	
Alison Jarrett	Assistant Director, Development and Commercial Finance	
Richard Tibbatts	Head of Category - Strategic Services	
Ian Benson	(representing Clive Heaphy – Shareholder (Acivico)	
Marie Reynolds	Committee Services	
Ian Briggs	Chair	- Acivico
Anna Klonowski	Interim Chief Executive	- Acivico
Annabel Scholes	Interim Finance Director	- Acivico

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### **CHAIRMAN'S INTRODUCTION**

- 1 The Chair welcomed Councillor Tristan Chatfield (Cabinet Member – Finance and Resources, replacing Councillor Brett O'Reilly) and Councillor Gareth Moore to the meeting and subsequently explained the roles, responsibilities and purpose of the Committee.

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### **APOLOGY**

- 2 Councillor Jon Hunt submitted an apology for having to leave the meeting at 13:10 hours.

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### **DECLARATIONS OF INTERESTS**

- 3 Georgina Dean submitted a declaration – Acivico.

**PUBLIC NOTES OF THE LAST MEETING**

- 4 The public notes of the last meeting were agreed.
- 

**TRAINING UPDATE**

The following report of the City Solicitor, Finance and Governance was submitted:-

(See document No. 1)

Connie Price, Legal Services, provided an overview of directors and Committee Members' training that had been received to date. She highlighted that the training on 24 January 2019 had been well received by attendees, adding that additional training would be provided for those that had been unable to attend.

A feedback questionnaire from the most recent session had been provided in order to help inform future training needs and a training plan would be presented to a future Committee meeting once this information had been collated.

A new Mailbox had been established in order to assist directors with their enquiries and to be kept updated of future training sessions.

During the discussion the following points were captured:-

- Company Appointments – when changes take place – Group Offices are given as much notice as possible in order to appoint appropriate members.
- Former Councillors and their Organisations are consulted as to whether they wish to continue with their appointments where appropriate.
- Work ongoing with the register of appointments – (suggested sweep up session training to include Charity Board appointments.
- Suggestion – there be a comprehensive training record set up (to include any training directors had received elsewhere with the relevant detail against their name.

- 5 **RESOLVED:-**

The Committee noted the report and considered the proposals for future training needs.

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**REVIEW OF COMPANIES**

The following report of the City Solicitor, Finance and Governance was submitted:-

(See document No. 2)

Georgina Dean, Legal Services, introduced the report.

During the discussion relating to the template, the following points were highlighted:-

- Sight of Company Business Plan – earliest opportunity
- To include cover risk element with Business Plan
- BCC's interest in the company – relationships/function role
- Nature of investment

**6 RESOLVED:-**

The Committee noted the report; and

Considered whether the information provided was sufficient; and

that the Pen Portrait be amended to include the current financial position.

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**COMPANY UPDATE**

The following report of the Corporate Director, Finance & Governance was submitted:-

(See document No. 3)

Martin Stevens, Head of City Finance, introduced the report and referred specifically to Appendix 1 which detailed the charities linked with Maintained Schools within the City.

A general discussion ensued whereby it was highlighted that there was the need to consider the approach BCC should take regarding the duty of care to its employees.

**7 RESOLVED:-**

The Committee noted the information provided;

That a further report be submitted to Committee once matters set out in Section 3 had been reviewed by 17 April 2019.

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**GROUP COMPANY GOVERNANCE - SECTION 24 RECOMMENDATIONS**

The following report of the Corporate Director, Finance & Governance was submitted:-

(See document No. 4)

Martin Stevens, Head of City Finance, introduced the report and confirmed that the information was submitted to Audit Committee on a regular basis. He added that the auditors were aware of all responses to Section 24 Recommendations.

8 **RESOLVED:-**

That the proposed actions to mitigate the concerns of the External Auditor be noted;

That the progress in delivering the proposed actions to date be noted.

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**GROUP COMPANY GOVERNANCE - RISK REGISTER**

The following report of the Corporate Director, Finance & Governance was submitted:-

(See document No. 5)

Martin Stevens, Head of City Finance, introduced the report.

9 **RESOLVED:-**

The Committee noted the report.

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**ACIVICO LIMITED – PEN PORTRAIT**

The following report of the Corporate Director, Finance & Governance was submitted:-

(See document No. 6)

Martin Stevens, Head of City Finance, introduced the report.

10 **RESOLVED:-**

The Committee noted the report.

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**FREQUENCY OF MEETINGS**

- 11 A brief discussion ensued regarding the frequency of the meetings and the possibility of cancelling the March formal CC-CGC meeting and reserving the slot

for a potential 'workshop session' should this be required. While the meeting were in agreement, an issue was raised regarding the possibility of an Acivico report needing to be approved in March and it was therefore agreed, that the meeting remain scheduled for the time being.

During the discussion relating to the frequency of meetings, it was suggested and agreed by the committee, that the meetings scheduled for 2019/20 Municipal Year were based on a cycle which co-ordinated in line with Audit Committee meetings.

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**DATE OF NEXT MEETING**

- 12 The next meeting is scheduled to take place on Wednesday, 13 March 2019 at 1100 hours in Committee Room 6, Council House.
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**EXCLUSION OF THE PUBLIC**

- 13 **RESOLVED:-**

That, in view of the sensitive nature of the discussion due to take place relating to Acivico Limited, the public be now excluded from the meeting.

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## Birmingham City Council

### Report to Cabinet Committee – Group Company Governance

17 April 2019



**Subject:** Overview of Companies – A Report for Information  
**Report of:** Kate Charlton, City Solicitor, Finance & Governance  
**Relevant Cabinet Member:** Councillor Brigid Jones  
**Relevant O &S Chair(s):** Councillor Sir Albert Bore  
**Report author:** Connie Price, Head of Law

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

## 1 Executive Summary

- 1.1 This report provides Members with an update on the current and proposed training activity being provided to members and officers in relation to their duties and responsibilities as directors and trustees of companies and charitable organisations.

## 2 Recommendations

- 2.1 Members are asked to:
- note the information provided

## 3 Background

- 3.1 The Council owns, appoints to or otherwise has an interest in excess of 170 organisations made up of limited companies, charities, trusts and other entities.
- 3.2 The Committee has directed that all newly appointed Council nominated directors, observers and trustees shall receive mandatory training in their roles and responsibilities as directors, within three months of such appointment.
- 3.3 The Committee has requested a programme of training to ensure Council nominated/appointed directors, observers and trustees are adequately equipped to perform the duties required of them.
- 3.4 An update of the current/proposed training activities and training events provided to date are outlined in Appendix 1.

#### **4 Options considered and Recommended Proposal**

- 4.1 The report is for consideration

#### **5 Consultation**

- 5.1 The Chair of the Committee has been consulted.

#### **6 Risk Management**

- 6.1 Failure to provide directors, observers and trustees with adequate training could result in non-compliance with statutory requirements and personal liability. A robust and comprehensive programme of mandatory training mitigates this risk.

#### **7 Compliance Issues:**

- 7.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

The report is consistent with the Council's commitment to improve its corporate governance responsibilities.

#### **7.2 Legal Implications**

- a) None – the report is for information only

#### **7.3 Financial Implications**

- a) None

#### **7.4 Procurement Implications**

- a) There are no procurement implications directly arising from this report.

#### **7.5 Human Resources Implications (if required)**

- a) There are no human resources implications directly arising from this report.

#### **7.6 Public Sector Equality Duty**

- a) There are no equality duty or equality analysis issues relating to the proposals set out in this report.

#### **8 Background Documents**

- 8.1 None

- Training Update April 2019



## Appendix 1 – Training Update

### Cabinet Committee – Group Company Governance Report providing an Update On Training Activities

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#### Training Provided to date:

- 29<sup>th</sup> October 2018 – training provided to members of the Cabinet Committee - Group Company Governance on Company Governance and Challenge
- 24<sup>th</sup> January 2019 – training provided on the roles and responsibilities of directors provided to officers and members who are appointed to companies and charities in which the Council has a significant interest.
  - 41 members and officers attended the training event
  - Feedback forms have been circulated and from the responses received all found the course content and material helpful.
  - Following this training event, a mailbox has been set up at [groupcompanygovernance@birmingham.gov.uk](mailto:groupcompanygovernance@birmingham.gov.uk) and is slowly being used by directors to request further information
- 1:1 Sessions –
  - One Councillor who is appointed to a number of Council owned companies has approached Connie Price for some guidance in relation to his role
  - Connie has met with this Councillor on a 1:1 basis to provide guidance and reassurance, which was well received.
  - A 1:1 training session has also been provided for a Council finance officer newly appointed to a number of companies.

#### Future Training Activities

- **Second training session on Director Roles and Responsibilities**
  - A further session will be conducted for those who could not attend in January and for additional directors who have been further identified in the company 'cleanse' exercise
  - This session could attract a similar number of attendees as in January or potentially more and therefore consideration is being given to engaging and funding the external provider appointed in January.
  - Further details of dates and number of invitees to be circulated to Committee Members as soon as agreed.

- **1:1 Training Sessions planned**

- Waheed Nazir (Director of Birmingham Airport Holdings Ltd, Birmingham City Propco Ltd, Paradise Circus General Partner Ltd, Paradise Circus Management Company Ltd, Paradise Circus Nominee 1 Ltd and Paradise Circus Nominee 2 Ltd),
- Kathryn James (Director of Birmingham Wholesale Market Company Ltd, Paradise Circus General Partner Ltd, Paradise Circus Management Company Ltd, Paradise Circus Nominee 1 Ltd, Paradise Circus Nominee 2 Ltd and Port Loop Estate Management Ltd)
- Richard Cowell (Director of Birmingham Curzon Regeneration Company Ltd)
- Ian McLeod (Arden Cross Limited)

Given the highly commercial nature of these directorships a highly regarded commercial director from the private sector will attend to provide a basic overview of company due diligence, understanding business plans, financial trends and other aspects of company operation.

These sessions have been arranged for 1, 15 and 28 May respectively.

- **Trusts and Charities Training**

- An external specialist lawyer has been secured and has agreed to provide training to Trust and Charity Trustees at a significantly reduced cost.
- A date is yet to be confirmed
- The list of intended invitees is being collated and is anticipated to include directors and trustees of the trusts and charities where the Council has an interest and is not limited to BCC nominees. This will also be extended to any 'new' entities which have recently been identified as part of the company 'cleanse' exercise.
- Committee Members will be updated on the progress of this exercise as dates are agreed.

17<sup>th</sup> April 2019

## Birmingham City Council

### Report to Cabinet Committee – Group Company Governance

17 April 2019



**Subject:** Company Update  
**Report of:** Clive Heaphy, Corporate Director, Finance & Governance  
**Relevant Cabinet Member:** Councillor Brigid Jones  
**Relevant O &S Chair(s):** Councillor Sir Albert Bore  
**Report author:** Martin Stevens

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

#### 1 Executive Summary

This report provides Members with an update on changes within entities that fall within the Council's group structure.

#### 2 Recommendations

2.1 Members are asked to note the information provided

### 3 Background

3.1 There have been a number of changes in companies that fall within the Council's group structure, which have been detailed below.

#### Company Changes

3.2 Details of the changes in companies are set out below:

- Acivico Limited  
Acivico (Building Consultancy) Limited  
Acivico (Design, Construction and Facilities Management) Limited  
Catherine Newhall-Caiger resigned as a Director of the company on 27 February 2019  
The interim Chief Executive and the interim Director of Finance have both left the company
- Birmingham Children's Trust CIC  
The Children's Trust has amended its Articles of Association to increase the number of Independent Non-Executive Directors from five to six. Professor Jon Glasby, previously the Council's nominee to the CIC board, has been appointed to be an Independent Non-Executive Director. Jonathan Tew has been appointed to the vacant Council Director nomination.
- Southside Business District Limited  
Councillor Penny Holbrook resigned as a Director of the Company on 21 March 2019.
- Retail Birmingham Limited  
Councillor John Cotton was appointed as a Director of the Company on 27 February 2019
- Birmingham Voluntary Service Council  
Councillor Ken Wood and Councillor Mohammed Idrees were appointed as Directors of the Company on 27 March 2018 and 1 November 2018 respectively, but recorded on Companies House on 24 January 2019.
- Birmingham Royal Ballet  
Councillor Lou Robson was appointed as a Director of the Company on 30 October 2019 but recorded on Companies House on 4 March 2019.
- Commonwealth Games (Birmingham) CIC  
This company was dissolved via voluntary strike off on 26 March 2019.

#### Schools

3.3 Further work is being undertaken to try and capture information on charities that are associated with maintained schools within the City. As part of the work undertaken by Birmingham Audit in their visits to schools, they are now asking whether there are any charities associated with the school. Only one additional charity has been



identified at present and additional information is being sought on the constitution, aims and members of the charity.

#### **4 Options considered and Recommended Proposal**

- 4.1 This report provides information to Members on changes to organisations that fall within the Council's group structure. Further reports will be provided to future meetings of this committee.

#### **5 Consultation**

- 5.1 The Chair of the Committee has been consulted in the preparation of this Report..

#### **6 Risk Management**

- 6.1 This report sets out information on external organisations associated with the Council.

#### **7 Compliance Issues:**

##### **7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

- a) The Council provides services to community through a number of different vehicles. This report provides information on entities associated with the Council through which service delivery is being provided.

##### **7.2 Legal Implications**

- a) The Council's Section 151 Officer has a duty to ensure the proper administration of the Council's financial affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.

##### **7.3 Financial Implications**

- a) The Council needs to consider whether any of the changes in the company group structure has a financial impact on or increases the financial risks to the Council.

##### **7.4 Procurement Implications**

- a) There are no procurement implications directly arising from this report.

##### **7.5 Human Resources Implications**

- a) There are no human resources implications directly arising from this report.

##### **7.6 Public Sector Equality Duty**

- a) There are no equality duty or equality analysis issues relating to the proposals set out in this report.

#### **8 Background Documents**

CIPFA Code of Practice on Local Authority Accounting



## Birmingham City Council

### Report to Cabinet Committee – Group Company Governance

17 April 2019



**Subject:** Group Company Governance – Section 24 Recommendations

**Report of:** Clive Heaphy, Corporate Director, Finance & Governance

**Relevant Cabinet Member:** Councillor Brigid Jones

**Relevant O &S Chair(s):** Councillor Sir Albert Bore

**Report author:** Martin Stevens

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

#### 1 Executive Summary

1.1 This report sets out the progress to date in implementing actions to mitigate the recommendation raised by the External Auditor under Section 24 of the Local Audit and Accountability Act 2014 that was included in his Audit Findings Report published on 30 July 2018. The specific recommendation related to the Council's understanding of the financial position of its related companies and the Council's responsibility for their liabilities.

#### 2 Recommendations

2.1 Members are recommended to note the progress in delivering the necessary actions to mitigate the issue raised by the External Auditor.

### **3 Background**

3.1 The External Auditor issued his Audit Findings Report (AFR), which was considered by Audit Committee at its meeting on 30 July 2018. Contained within the AFR were a number of recommendations made under Section 24 of The Local Audit and Accountability Act 2014. Recommendations made under Section 24 had to be considered by full Council, which took place on 11 September 2018.

3.2 The External Auditor identified within one of his Section 24 recommendations that the financial position of companies and the Council's responsibility for their liabilities has not been well understood or reported by the Council. The external auditor went on further to state that the Council had not always had sufficient accurate information upon which to make decisions relating to the companies created in order to mitigate risk and that governance arrangements had not been adequate to enable companies' activities to be monitored. The auditor's specific recommendation in respect of companies was that the Council needs to:

"ensure that appropriate arrangements are implemented in relation to the Council's subsidiary bodies, including regular financial reporting and Council representation on subsidiary body boards, to ensure that emerging risks are monitored, reported and managed promptly."

3.3 The Council needs to monitor its response to the recommendation to ensure that the proposed action to mitigate the weaknesses identified is being progressed. Attached at Appendix 1 is the latest progress report for Members to consider.

### **4 Options considered and Recommended Proposal**

4.1 This report provides information to Members on the actions taken to mitigate the matter raised by the External Auditor in his Audit Findings Report recommendation in respect of the Council's arrangements in operating through subsidiary, associate and other related companies.

### **5 Consultation**

5.1 The Chair of the Committee has been consulted

### **6 Risk Management**

6.1 This report concerns the delivery of the proposed actions to mitigate the concerns raised by the External Auditor in his Audit Findings Report following the audit of the Council's Financial Statements 2017/18.

### **7 Compliance Issues:**

**7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

a) The Council operates and delivers services through a number of different vehicles. The Council needs to consider the risks of delivering through arms-length arrangements so that Council policies can continue to be implemented.

## **7.2 Legal Implications**

- a) The Council's Section 151 Officer has a duty to ensure the proper administration of the Council's affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.

## **7.3 Financial Implications**

- a) There are no financial implications directly arising from this report.

## **7.4 Procurement Implications**

- a) There are no procurement implications directly arising from this report.

## **7.5 Human Resources Implications**

- a) There are no human resources implications directly arising from this report.

## **7.6 Public Sector Equality Duty**

- a) There are no specific Equality Duty or Equality Analysis issues relating to the proposals set out in this report.

## **8 Background Documents**

### **8.1 Audit Findings Report of the External Auditor – 30 July 2018**



## Progress Report – Section 24 Recommendation

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
<b>Sec 24 Recommendations</b>					
6	The Council needs to ensure that appropriate arrangements are implemented in relation to the Council's subsidiary bodies, including regular financial reporting and Council nominees on subsidiary body boards, to ensure that emerging risks are monitored, reported and managed promptly.	The shareholder role is discharged through the CC-GCG, with attendance by subsidiaries either on a cyclical timeframe or where there are concerns with a Council-owned company, on a more regular basis.	Ongoing	Clive Heaphy	<p><b>November 2018:</b> The workplan and timetable for the CC-GCG is being developed and regular reports of and presentations by the Council's subsidiary companies will be programmed into the timetable.</p> <p>The CC-GCG has been timetabled into the Committee calendar on a monthly basis and will be chaired by the Deputy Leader and be supported by senior officers.</p> <p>Acivico Limited presented its business plan to CC-GCG at its meeting on 13 November 2018.</p> <p><b>December 2018:</b> Birmingham Children's Trust CIC presentation of its business plan to CC-GCG</p> <p>At its meeting on 11 December 2018, Cabinet considered a report on the Options for the Future of Acivico</p> <p><b>February 2019:</b> Acivico Limited presenting a business plan update</p>
		The Intelligent Client Function is more robustly developed for some subsidiary bodies than others and the role of contact officers requires formal definition. This will form part of the work programme for CC-GCG in 2018, along with further development of the training			<p><b>November 2018:</b> The role of client functions will be developed and implemented during the year to ensure that there remains a strong focus on the relationship with subsidiary companies.</p> <p>Client Officers will report to the CC-GCG</p>

## Progress Report – Section 24 Recommendation

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		package for officers and members who take up directorships.			<p>on a regular basis in support of presentations by subsidiary companies.</p> <p><b>January 2019:</b> A training session for Council appointed directors was delivered on 24 January. Further training will be provided to support those who couldn't attend and also consider the training needs of Charity Trustees.</p>
		Risks within subsidiary bodies are formally reported to Audit Committee annually as part of an assurance statement. The Council will extend this mechanism to capture emerging in-year risks.			<p><b>November 2018:</b> CC-GCG will consider a regular report on the risks associated with subsidiary companies and emerging issues will be identified at the earliest opportunity to allow consideration at the committee.</p> <p>CC-GCG considered the risk register associated with its involvement in companies and the risk assurance questionnaire to be completed by those companies that will be consolidated into the Council's group accounts at its meeting on 13 November 2018.</p> <p><b>December 2018:</b> An updated risk register of the Council's involvement in companies to be presented to CC-GCG at its meeting on 12 December.</p> <p><b>January 2019:</b> An updated risk register of the Council's involvement in companies to be presented to CC-GCG at its meeting on 16 January.</p> <p>Assurance statements from companies</p>



## Progress Report – Section 24 Recommendation

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
					<p>on their governance arrangements, approach to risk and financial performance were considered by CC-GCG at its meeting on 16 January and by Audit Committee at its meeting on 29 January.</p> <p><b>February 2019:</b> An updated risk register of the Council's involvement in companies to be presented to CC-GCG at its meeting on 13 February.</p> <p><b>April 2019:</b> An updated risk register of the Council's involvement in companies to be presented to CC-GCG at its meeting on 17 April.</p>



## Appendix 1

### Council Company Risk Register

No		Status
G-01	Nominated Directors do not have sufficient skills to fulfil their roles within a third party whilst also representing the Council's interests.	Open
G-02	Council nominated Directors fail to attend meetings	Open
G-03	A company fails to file appropriate returns with Companies House	Open
G-04	Observers at meetings act inappropriately	Open
G-05	A company fails to operate within the terms of its Articles of Association	Open
G-06	The potential of a fraud taking place within a company	Open
G-07	Failure to comply with the requirements of GDPR	Open
G-08	Failure to provide information for consolidation in group accounts	Open
G-09	The Council is considered to have significant influence over a company through its nomination rights	Open
G-10	A company does not have appropriate insurance covers in place	Open
G-11	Risks faced by the Council in respect of its associated companies are not given due consideration	Open
G-12	The Council is not aware of all the relationships entered into	Open
G-13	Senior Managers within a company leave	New
F-01	A company requires support from the Council to remain a going concern	Open
F-02	The council does not arrange its tax affairs to minimise its level of corporation tax.	Open
F-03	A company provides guarantees/indemnities to a third party	Open
F-04	Movement away from the Council's terms and conditions of employment	Open
F-05	A company does not recognise that it is a controlled company for the determination of the Apprenticeship Levy	Open
F-06	A company does not have a viable business plan/budget	Open
F-07	The Council, as accountable body, is deemed responsible for the liabilities of a third party	Open
R-01	Company does not follow the principles of public service	Open
C-01	A company fails to provide appropriate levels of service	Open
C-02	A company does not comply with public contract regulations	Open

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
G-01	Nominated Directors do not have sufficient skills to fulfil their roles within a third party whilst also representing the Council's interests.	Chief Finance Officer	Significant/ High	<p>The role as a director of a company carries certain onerous obligations and there may be consequences to an individual if they do not fulfil their role appropriately. This may also have implications for the Council, both reputationally and financially.</p> <p>It is important that Directors demonstrate specific skills and knowledge and there should therefore be specific criteria for the selection of appropriate candidates and they should receive the necessary information to enable them to fulfil their duties in their role as Director.</p> <p><b>Action:</b> Procedure to be agreed for the selection of Directors to be appointed by the Council.</p> <p>Directors to receive training on their personal responsibilities in their role within a company. Training has been provided for members of the Group Company Governance Committee and a session was provided for current Directors, potential Directors and officers who may support Directors</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> Criteria to be considered by Group Company Governance Committee for the selection of appropriate individuals to act as Directors by January 2019.</p> <p>Training to be cascaded to current and potential directors at the earliest opportunity with regular refresher sessions for existing and new directors.</p> <p><b>Source of Assurance:</b> Directors should be required to record meetings invited to and those that they attend. This should be provided on a regular basis to the Council.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				on 24 January 2019. Further training sessions will be provided for those who were unable to attend on 24 January and as part of continuous training for all.	
G-02	Council nominated Directors fail to attend meetings	Contact Officer	Low/ Significant	<p>Directors have specific responsibilities in the management and operation of a company to ensure that it operates in accordance with its Articles of Association and that it trades solvently. If a Director does not attend appropriate meetings then they may be considered to have acted negligently in the exercise of their duties.</p> <p><b>Action:</b> It is essential that Directors receive training on their personal responsibilities in their role within a company. Training has been provided for members of the Group Company Governance Committee and a session was provided for current Directors, potential Directors and officers who may support Directors on 24 January 2019.</p> <p>Training will have to be provided on an ongoing basis to ensure new</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> Training to be cascaded to current and potential directors at the earliest opportunity with regular refresher sessions for existing and new directors.</p> <p><b>Source of Assurance:</b> Directors should be required to record meetings invited to and those that they attend. This should be provided to the Council on a regular basis.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				<p>councillors, officers or other Council nominated individuals who are asked to take on the role of a director are adequately trained.</p> <p>A system of recording Director attendance should be created to monitor attendance at meetings.</p>	
G-03	A company fails to file appropriate returns with Companies House	Company Directors  Contact Officer	Low/ Significant	<p>Failure to file accounts or annual returns is a criminal offence. The filing of late accounts automatically generates a late notice penalty, which rises from £150 if up to 1 months late to £1,500 if more than 6 months late. Repeat offences receive a higher fine. A Director can end up with a criminal record and a fine of up to £5,000 for each violation.</p> <p>It is recognised that there may be a higher level of competency in Directors with specific backgrounds, for example, those with legal or financial qualifications, and consequently their penalties/sanctions may be higher.</p> <p>The failure to provide returns on a timely basis may be indicative of</p>	<p><b>Target Risk Rating:</b> Low/Medium</p> <p><b>Anticipated date of attainment:</b> Training to be cascaded to current and potential directors at the earliest opportunity with regular refresher sessions for existing and new directors.</p> <p>The recording database will be updated to provide details on forthcoming filings to ensure that there is a proactive rather than reactive review.</p> <p><b>Source of Assurance:</b> Responses from company secretaries Review of information held on Companies House</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				<p>performance issues which may not have been detected.</p> <p><b>Action:</b> It is essential that Directors receive training on their personal responsibilities in their role within a company. Training has been provided for members of the Group Company Governance Committee and a session was provided for current Directors, potential Directors and officers who may support Directors on 24 January 2019.</p> <p>Training will be provided on an ongoing basis to include new councillors, officers or other nominated representatives who are asked to take on the role of a director.</p> <p>The Council will also monitor each of its companies so that confirmation can be sought from companies that they have met the relevant filing date.</p> <p>A monitoring database has been implemented to record information from Companies House as returns are made.</p>	

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
G-04	Observers at meetings act inappropriately	Meeting Observers	Low/ Significant	<p>There is a difference in the roles of Director and Observer. Whilst a Director's role is defined, an Observer should not be part of the running of a company. They should attend meetings to view the activity of the Board and ask/answer questions for information if invited to do so.</p> <p>There is the potential for an Observer to comment at Board meetings which may be seen as issuing guidance. Where an Observer influences a company to take actions then they may be seen as acting as a Shadow Director and bear the same consequences as though they were a Director of a company.</p> <p><b>Action:</b> Observers at meetings should receive training on the same basis as Directors so that they understand the difference between the two roles.</p> <p>Training will have to be provided on an ongoing basis to include new councillors, officers or Council</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> Training to be cascaded to current and potential directors at the earliest opportunity with regular refresher sessions for existing and new directors.</p> <p><b>Source of Assurance:</b> Record of those undertaking training. Attendance at Board meetings as an Observer should be formally fed back to appropriate management within the Council.</p>



No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				nominated individuals who are asked to take on the role of observer.	
G-05	A company fails to operate within the terms of its Articles of Association	Contact Officer	Low/ Medium	<p>The Articles of Association (AoA) regulates the way that a company is administered. If actions are taken that are outside of the AoA then they may be declared illegal by the courts.</p> <p><b>Action:</b> As part of the training provided to Directors it should include the powers that a company has to undertake certain activities and any constraints on those activities.</p> <p>Training will have to be provided on an ongoing basis to include new councillors, officers or Council nominated individuals who are asked to take on the role of Director.</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> Training to be cascaded to current and potential directors at the earliest opportunity with regular refresher sessions for existing and new directors.</p> <p><b>Source of Assurance:</b> Record maintained of those undertaking training.</p>
G-06	The potential of a fraud taking place within a company	Chief Finance Officer	Low/ High	Inherent within any organisation is the risk of fraud taking place. Within organisations it is usual for a series of checks and balances to be put in place to ensure that the opportunities for fraud are	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> March 2019</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				<p>minimised.</p> <p>Directors carry out two main roles to deter fraud in that they should ensure that management has put in place appropriate controls that minimise the opportunity for fraud and that any frauds that are perpetrated are reported to the Board for consideration, which would include identification of additional controls to stop such episodes recurring.</p> <p><b>Action:</b> For the larger companies that are to be consolidated within the Council's Group Accounts a questionnaire is sent out annually seeking assurance on the systems for minimising fraud within a company and that frauds that are identified are reported to the Board appropriately and then to the Council where appropriate. This document means that each major company has to consider its approach to risk management appropriately.</p> <p>Risk assurance statements from the Council's larger companies were considered by CC-GCG on</p>	<p><b>Source of Assurance:</b> Returns from companies on their approach to risk management and fraud.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				16 January and by Audit Committee on 29 January.	
G-07	Failure to comply with the requirements of GDPR	Contact Officer	Low/ Significant	<p>The Council has to recognise that wholly owned companies are separate entities and that there are limits on what information can be shared. It is also important to recognise that there are constraints on companies releasing information accidentally. The consequences of a breach of GDPR can be significant.</p> <p><b>Action:</b> The Council must follow its own GDPR practices and assess whether it is appropriate to share information with its companies.</p> <p>The request for information in respect of deterring fraud also asks for information on the company's approach to manage the requirements of GDPR. Responses from the Council's larger companies were considered by CC-GCG on 16 January and by Audit Committee on 29 January.</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> March 2019</p> <p><b>Source of Assurance:</b> Returns from companies on their approach to the management of GDPR.</p>
G-08	Failure to provide	Chief	Medium/	The Council has to produce its	<b>Target Risk Rating:</b>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
	information for consolidation in Group Accounts	Finance Officer	Significant	<p>draft financial statements by 31 May and its audited financial statements by 31 July of each year. This reporting timetable is in advance of that for companies that generally have nine months in which to produce their audited financial statements.</p> <p>The Council has to produce financial statements that show a “true and fair view” and are materially correct. The level of materiality for the Council is significant and therefore estimates of a company’s position are usually sufficient to satisfy external audit requirements as long as they are reasonably assured that there can be no material errors in the company accounts.</p> <p><b>Action:</b> Companies that are considered necessary for consolidation, including those that are not consolidated but near the level for consideration, are contacted during the year so that they are made aware of the proposed timetable and of the information requirements that will be necessary.</p>	<p>Low/Low</p> <p><b>Anticipated date of attainment:</b> April 2019</p> <p><b>Source of Assurance:</b> Return of draft and final questionnaires, management accounts during the year and companies’ draft accounts by 29 April 2019.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				<p>A questionnaire is sent out for return by 18 January for draft information on a financial position with the final return due by 29 April.</p> <p>Companies are also asked to provide management accounts so that a profile can be built up of the information that will be used for the final consolidation.</p>	
G-09	The Council is considered to have significant influence over a company through its nomination rights	Chief Finance Officer	Medium/ Medium	The test of control for accounting purposes is different to that for legal purposes. The Council is considered to have control over an entity if it controls 50% or more of the day to day activities of the company or has significant influence if it has more than 20% control. Control may be measured through the representation on company or charity boards where directors are considered to control the activities of a company. With the Council having nomination rights to a wide range of entities, there may be occasions where the number of Council nominees is such that they represent 20% or	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> July 2019</p> <p><b>Source of Assurance:</b> Information is sought on the overall structure of entity boards when the Council considers nominating individuals to external bodies.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				<p>more of the board. In such cases, the entity would have to be considered for consolidation into the Council's group accounts. Failure to consolidate would lead to adverse audit reports or ultimately, qualification of the Council's accounts.</p> <p><b>Action:</b> in the consideration of Council nominations to external bodies, a review should be undertaken of the level of control that may be exercised by the Council.</p>	
G-10	A company does not have appropriate insurance covers in place	Company Directors	Low/ Significant	<p>Companies must have statutory insurance covers in place and should properly assess their financial tolerance to insurable risks. Financial risks which the company is unable to absorb should be transferred to the insurance market where insurance protection may be purchased.</p> <p><b>Action:</b> In the creation of companies, the Council will need to ensure that consideration is given to the procurement of appropriate insurance cover.</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> January 2019</p> <p><b>Source of Assurance:</b> Information is sought through the return of the risk assurance questionnaire considered by Audit Committee.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				The Council will monitor companies' approach to ensure they have appropriate insurance arrangements in place through the risk assurance questionnaire.	
G-11	Risks faced by the Council in respect of its associated companies are not given due consideration	Chair – Group Company Governance	Low/Medium	<p>As more information is provided in respect of Council companies and as people become more familiar with the issues faced, there is the potential for a more relaxed approach to be taken in critically analysing the position of a company. This may lead to issues slipping through and only being challenged when they become critical.</p> <p><b>Action:</b> That individual risks and the associated mitigating actions are challenged on a regular basis and additional information sought where appropriate.</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> February 2019 and ongoing</p> <p><b>Source of Assurance:</b> Risks are considered in detail on a regular basis and the information provided.</p>
G12	The Council is not aware of all of the relationships entered into, which may fall within its overall remit.	Chief Finance Officer	Medium/Significant	There may be arrangements put in place, either through nomination rights on to external bodies or the creation of external bodies of which the Council is not aware but which may have implications for it, for example, a number of charities have been created where	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> October 2019 and ongoing</p> <p><b>Source of Assurance:</b></p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				<p>governors and/or school staff from maintained schools have been nominated to act as trustees. The Council will need to consider whether the arrangements place it at risk.</p> <p><b>Action:</b> The Council continue to identify all potential relationships with external bodies.</p>	Information gathered from Companies House and the Charity Commission to determine potential relationships.
G13	Senior Managers within a company leave	Company Directors	Low/Significant	<p>It is expected that there will be movement of senior managers within companies. However, the loss of a number of senior managers within one company in a sort space of time may lead to operational difficulties and delays in making appropriate decisions in respect of staffing, resources, contracts etc..</p> <p><b>Action:</b> The responsibility for the appointment of senior managers would lie with the Company Directors. However, the Council should be informed of any senior manager changes so that any potential implications can be assessed. It is also important to ensure that there are appropriate succession plans in place to mitigate any adverse impacts.</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> Ongoing</p> <p><b>Source of Assurance:</b> Information to be sought through the gathering of information from companies.</p>





No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Financial Risks</b>					
F-01	A company requires support from the Council to remain a going concern		Significant/High	<p>A company is a separate legal entity and if it were to get into financial difficulties then the company could become insolvent. The Council may determine, as shareholder, that this is the most appropriate way forward to minimise financial losses. However, there are a number of significant implications that may arise from this course of action in that:</p> <ul style="list-style-type: none"> <li>• The reputational impact on the Council may be significant</li> <li>• The impact on local businesses may be significant if the company were to be unable to pay its creditors impacting directly on the local community</li> <li>• The Council may have given guarantees to the company to enable it to continue trading which it will have to honour</li> <li>• The Council may face a loss of critical services that it will have to replace at a higher cost</li> <li>• The Council may have to meet a pension guarantee if staff were originally TUPE'd from the Council</li> </ul>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> The provision of training to Directors will provide a base of knowledge to enable appropriate levels of challenge to be put in place.</p> <p><b>Source of Assurance:</b> The oversight of regular monitoring reports and the review of business plans and final accounts will give added oversight of performance so that downward trends can be identified at the earliest opportunity.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Financial Risks</b>					
				<p>The appropriate course of action to minimise the impact of any company falling into financial difficulties is to identify any fall off in trading performance at the earliest opportunity so that corrective action may be taken. This will be reliant on having the appropriate management team in place and Directors providing challenge at the appropriate level. The provision of appropriate performance reporting to the Council on a regular basis will also provide some assurance to the Council that performance is within acceptable bounds.</p> <p><b>Action:</b> The training of Directors will give them knowledge of their responsibilities and the actions that they can take to gain assurance that performance is being delivered to the necessary level to remain solvent or the recognition that mitigating actions should be put in place where there is a drop in performance.</p> <p>The provision of regular monitoring reports to the Council will provide an added oversight so that any</p>	

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Financial Risks</b>					
				downward trends can be identified at the earliest opportunity.	
F-02	The council does not arrange its tax affairs to minimise its level of corporation tax.	Chief Finance Officer	Medium/ Medium	<p>Companies that operate on a trading basis may be liable for Corporation Tax. As the Council has a number of entities under its control there is an opportunity to look at the companies on a group basis to determine whether there is any opportunity for Group Relief. At present each company operates on a silo basis with limited consideration of any opportunities for tax minimisation across the group.</p> <p><b>Action:</b> Review the tax position across the Council's group and seek advice from external tax advisers.</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> July 2019</p> <p><b>Source of Assurance:</b> Advice received from external tax advisers</p>
F-03	A company provides guarantees/indemnities to a third party	Chief Finance Officer	Low/ Medium	<p>Where an entity gives guarantees/indemnities to third parties, an assessment needs to be undertaken each year to determine any likelihood of that guarantee being called. Guarantees need not be explicit but may be as part of general contracts.</p> <p><b>Action:</b> Information will be sought from the companies consolidated into</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> April 2019</p> <p><b>Source of Assurance:</b> Responses to questionnaires from group companies</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Financial Risks</b>					
				the Council's Group Accounts to assess whether any guarantees have been given.	
F-04	Movement away from the Council's terms and conditions of employment	Head of HR	Low/ Significant	<p>When the Council TUPE's staff to third parties, the transfer is undertaken on the basis of current terms and conditions and access to the local government pension scheme. Where a company is controlled by the Council, should it move away from the Council's terms and conditions there is a potential for an Equal Pay Claim.</p> <p><b>Action:</b> The Council monitors the terms and conditions of employment of Council companies.</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> 31 March 2019</p> <p><b>Source of Assurance:</b> Feedback from Companies.</p>
F-05	A company does not recognise that it is a controlled company for the determination of the Apprenticeship Levy	Head of HR	Medium/ Significant	<p>The introduction of the Apprenticeship Levy has meant that those companies with an employee budget of more than £3m were required to contribute to the scheme. However, where there is a group structure in place, the total group employee budget should be considered as a whole. This has meant that subsidiary companies with an employee budget of less than £3m, who may have considered that</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> April 2019</p> <p><b>Source of Assurance:</b> Information sought from subsidiary companies through the financial information questionnaire for consolidation purposes.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Financial Risks</b>					
				<p>they did not have to contribute, may have been in breach of the levy requirements.</p> <p><b>Action:</b> Seek information from the Council's subsidiary companies to determine whether they have been contributing to the Apprenticeship Levy.</p>	
F-06	A company does not have a viable business plan/budget	Company Director	Medium/ Significant	<p>The Company Business Plan sets the framework for the company's activities for both the short and medium term. The financial consequences of the plan set the budget, resource requirements and targets for service delivery. If a company does not have an agreed business plan, then it does not have clear direction and directors have no measures against which to assess management and company performance or to consider the impact of risks to the company.</p> <p><b>Action:</b> Companies to be required to share their business plans with the Council, both as part of their contractual commitment for service delivery and for receipt of grant support to ensure that the Council's</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> September 2019</p> <p><b>Source of Assurance:</b> Receipt of business plans from companies with oversight by the Group Company Governance committee for major entities.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Financial Risks</b>					
				resources are being used appropriately.	
F-07	The Council, as accountable body, is deemed responsible for the liabilities of a third party	Corporate Director, Finance & Governance	Medium/ Significant	<p>The Council has an on-going accountable body role for a range of grant funding regimes, both historical and current, which include supporting programmes and projects under its direct control as well as managing programmes involving wider partnerships with external organisations.</p> <p>In accepting this role, the Council underwrites the financial performance and delivery of the activity along with compliance with the funding regulations. There may be a potential liability to the Council arising from its accountable body role due to the non-delivery of outputs, claiming of ineligible expenditure or from the disposal of assets prior to any clawback liability expiring.</p> <p>The Council may also act as the accountable body for external organisations where the Council transacts activities through its own accounts. In such cases, the Council is acting as an agent of the external</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> September 2019</p> <p><b>Source of Assurance:</b> Appropriate mechanisms in place to cover or minimise the impact of clawback of grant. A review of the monitoring arrangements around activities where the Council transacts the activities of external organisations through its own financial systems.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Financial Risks</b>					
				<p>organisation. However, the Council may be responsible for certain liabilities if it is considered that it has not acted appropriately in dealing with the affairs of the external organisation.</p> <p><b>Action:</b> The Council has put in place various measures to minimise the impact of any grant clawback, which include putting legal agreements and charges over assets in place to ensure that any grant clawback can be covered by disposal of an asset and by the provision of detailed expenditure verification and monitoring procedures.</p>	



No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Reputational Risks</b>					
R-01	Company does not follow the principles of public service	Company Directors	Low/ Significant	<p>The 7 principles of public service were laid down in the report by Lord Nolan. Whilst Council staff are expected to adhere to this level of integrity, the same should be expected of those companies controlled by the Council as they are perceived as being directly linked.</p> <p><b>Action:</b> Company Directors should ensure that the ethos of the company includes the adherence to the 'Nolan' principles of public service.</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> December 2019</p> <p><b>Source of Assurance:</b> Feedback from company contact officers.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Contractual Risks</b>					
C-01	A company fails to provide appropriate levels of service	Client Function	Medium/ Significant	<p>Where companies fail to provide the level of service expected from customers then this may adversely affect their ability to generate new business. Whilst the Council has some companies that trade externally, the majority of service provision is to the Council itself. The Council, therefore, has a choice of penalising its own company for non-performance, with a potential for then having to deal with a company in financial difficulties, or accepting a lower level of service.</p> <p><b>Action:</b> the development of strong Client Functions that can monitor contract performance regularly and identify at the earliest possible stage any issues in delivery will ensure that service performance is of the required standard.</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> March 2019</p> <p><b>Source of Assurance:</b> Assessment of activity by Client Managers on a regular basis</p>
C-02	A company does not comply with public contract regulations	Head of Procurement	Medium/ Medium	If a Council owned company fails to comply with public contract regulations resulting in a legal challenge to a contract the company has awarded and consequential legal costs and reputational impact.	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b></p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Contractual Risks</b>					
				<b>Action:</b> To ensure that all Council companies where appropriate have either: <ul style="list-style-type: none"> <li>• appropriately skilled procurement and contracting staff who are experience in public contract regulations or;</li> <li>• have access to these skills, competence and experience.</li> </ul>	<b>Source of Assurance:</b>  Initial written confirmation from Companies' Chief Executive  Statement of compliance in annual returns from companies or the statement of assurance to the shareholder.





<b>Subject:</b>	Group Company – Risk Register	
<b>Report of:</b>	Corporate Director – Finance & Governance	
<b>Relevant Cabinet Member:</b>	Councillor Brigid Jones	
<b>Relevant O &amp;S Chair(s):</b>	Councillor Sir Albert Bore	
<b>Report author:</b>	Martin Stevens	
Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

## 1 Executive Summary

- 1.1 This report provides Members with information on the potential risks faced and the actions being taken to mitigate those risks through the Council's relationship with external organisations where the Council has influence through its shareholding, an entity's Articles of Association, director appointments or other arrangement.

## 2 Recommendations

- 2.1 Members are asked to consider the information provided and determine whether the judgement on risks are reasonable and assess whether the mitigating actions are sufficient to reduce the risks to the Council to an acceptable level.

### **3 Background**

- 3.1 Members have considered the company risk register at previous meetings of this committee. The risk register has been updated and includes one additional risk, namely:
- G13 –Senior Managers of a company leave
- 3.2 Identified risks have been assessed under two criteria, Likelihood and Impact. Each criterion has then been ranked as to whether they are Low, Medium, Significant or High Risk. Recognising that risk can never be completely eliminated the desired outcome from mitigating actions has been identified to assess the level of risk that the Council is willing to bear.
- 3.3 The risks borne by the Council will vary from company to company dependent on the Council's relationship with an entity, for example, where a company is:
- a wholly owned subsidiary, the risks and impacts will translate fully through to the Council;
  - an associate where the Council has, generally, between 20% and 50% control, the risks and impacts will be shared between owning entities; and
  - related to the Council through nomination rights, there may be little financial impact on the Council.
- 3.4 However, risks cannot just be determined in financial terms as there may be reputational risks to consider.
- 3.5 A full schedule of identified risks and the actions to mitigate them to an acceptable level are set out in Appendix 1 to this report.

### **4 Options considered and Recommended Proposal**

- 4.1 This report provides information to Members on the risks faced by the Council from its operational arrangements with organisations over which it is considered to exert an influence.

### **5 Consultation**

- 5.1 The Chair of the Committee has been consulted on this paper.

### **6 Risk Management**

- 6.1 This report considers the main risks that the Council faces as a result of its operation through and its partnership arrangements with external organisations. The report sets out the actions being taken to mitigate those risks.

## **7 Compliance Issues:**

### **7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

- a) The Council has created a number of entities or entered into a number of partnership arrangements to ensure that services can be delivered more effectively for local citizens. There is an element of risk in any activity and this report sets out details of potential risks faced and the actions being taken to mitigate them.

### **7.2 Legal Implications**

- a) The Section 151 Officer has a duty to ensure the proper administration of the Council's affairs. The Accounts and Audit Regulations 2015 require the Council to have effective arrangements for the management of risk.

### **7.3 Financial Implications**

- a) There are no financial implications directly arising from this report.

### **7.4 Procurement Implications**

- a) There are no procurement implications directly arising from this report.

### **7.5 Human Resources Implications**

- a) There are no Human Resource implications directly arising from this report.

### **7.6 Public Sector Equality Duty**

- a) There are no specific Equality Duty or Equality Analysis issues relating to the proposals set out in this report.

## **8 Background Documents**

### **8.1 None.**





# Birmingham City Council

## Report to Cabinet Committee – Group Company Governance

17 April 2019



**Subject:** Membership and Governance of the Cabinet Committee  
**Report of:** City Solicitor  
**Relevant Cabinet Member:** The Deputy Leader  
**Relevant O &S Chair(s):** Chair of the Co-ordinating O&S Committee  
**Report author:** David Smith, Group Team Manager, Committee Services  
**Tel:** 0121-303 4465  
**Email:** david.smith@birmingham.gov.uk

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential : n/a		

### 1 Executive Summary

- 1.1 This report reviews the membership and governance of the Cabinet Committee – Group Company Governance.

### 2 Recommendations

- 2.1 That this Committee agrees to:

- Increase the quorum of the Committee to 2 Cabinet Members and a member of the Opposition and notifies Cabinet accordingly;

- Recommend to Cabinet that formal substitution arrangements be introduced for Cabinet Members and members of the Opposition on this Committee;
- Subject to the above changes to the quorum and substitution arrangements being agreed, request the City Solicitor to submit a report to Full Council recommending all necessary changes to the Constitution as appropriate.

### **3 Background**

#### **3.1 The City Council's Constitution states that:**

"This Cabinet Committee will be established by the Cabinet with the following membership:

- The Deputy Leader
- Another Cabinet Member as deemed appropriate by the Deputy Leader
- To include non-executive directors from the wider business community (no voting).

The Membership of the Committee shall be based on cross party representation.

The quorum for the Committee shall be determined by the Committee and this must include a Cabinet Member and a member of the Opposition."

#### **3.2 At its first meeting, this Committee determined that the quorum for its meetings would be a Cabinet Member and a member of the Opposition. This Committee has met on 10 occasions and all of its meetings have been quorate.**

#### **3.3 The membership of the Cabinet Committee has been noted by Members at its first meeting of the Municipal Year. On 2 occasions when the named Member has been unable to attend, it has been agreed that a substitute could attend in their place. On the first occasion (13 December 2017), the meeting occurred shortly after the appointment of a new Leader of the Council and a new Cabinet and the meeting was attended by the new Leader and new Deputy Leader. On the second occasion (18 September 2018), it was agreed that the Secretary of the Liberal Democrat Group could attend in place of the Leader of that Group.**

#### **3.4 However, accepted good practice for Local Authorities ("Knowles on Local Authority Meetings" – ICSA Publishing Limited) is for there to be at least a Chair and 2 Members present at meetings, as a Chair could always make decisions using their casting vote if only the Chair and one other Member was present.**

#### **3.5 There is the concern also that, if the Deputy Leader (as Chair) did not attend the meeting, an agreement would need to be reached between the remaining Cabinet Member and the member of the Opposition on which of them was elected as Chair by the meeting. The non-executive directors do not have voting rights.**

## **4 Options considered and Recommended Proposal**

- 4.1 Option 1 – continue with the current position of 4 Councillor members of the Committee, a quorum of a Cabinet Member and a member of the Opposition, and informal substitution arrangements. The concern is that this could lead to a situation in which the Committee is inquorate or that, if a difference of opinion arose between the Cabinet Member and the member of the Opposition, the decisions would effectively be taken by the Chair using their casting vote.
- 4.2 Option 2 – continue with the current position of 4 Councillor members of the Committee, but increase the quorum to 2 Cabinet Members and a member of the Opposition, and introduce formal substitution arrangements. This option would resolve the above concerns, but would require a recommendation to be submitted to Cabinet and a change to the Constitution to be agreed by the City Council.
- 4.3 Option 3 – increase the number of Councillor members to 5 or more Councillors, including additional Cabinet Member(s) or a mix of additional Cabinet Member(s) and member(s) of the Opposition, as appropriate. At the same time, the quorum would be increased as in Option 2 and formal substitution arrangements could be introduced, if required. This option would resolve the above concerns, but would require a recommendation to be submitted to Cabinet and a change to the Constitution to be agreed by the City Council.
- 4.4 The recommended option is Option 2 as it would resolve the concerns set out in this report without requiring an increase in membership of the Committee. In recommending Option 2, it is also recommended that the membership of the Committee be clarified in the constitution confirming it is to include: the Deputy Leader; another Cabinet Member as deemed appropriate by the Deputy Leader; and one Councillor member from each of the Opposition Party Groups.

## **5 Consultation**

- 5.1 Consultation is to be undertaken with the City Solicitor and the Deputy Leader.

## **6 Risk Management**

- 6.1 There is a risk to the City Council at present of meetings of the Committee being inquorate and of the Committee's decision-making being compromised with a quorum of a Cabinet Member and a member of the Opposition. Options 2 and 3 above would remove that risk.

## **7 Compliance Issues:**

### **7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

- 7.1.1 The purpose of the Cabinet Committee – Group Company Governance encompasses a role in ensuring that the business plans of individual companies comply with the Council's strategic direction.

## **7.2 Legal Implications**

- 7.2.1 Part V of the, Local Government and Housing Act 1989 makes provision for companies that are controlled or influences by local authorities. Sections 95 of the Local Government Act 2003 empowers the Council to trade function-related activities through a company. The Council is required to comply with all legal and regulatory requirements of the Companies Act 2006 as it relates to shareholder/member owners of registered companies.
- 7.2.2 Establishing the Cabinet Committee – Group Company Governance has improved the level of compliance in enabling the Council to have oversight of the activities of those companies that it either wholly owns or in which it has an interest. Risk of non-compliance was reduced and decision-making was made more transparent and better aligned with the legislative requirements.
- 7.2.3 The Group Company Governance Committee is a Cabinet Committee pursuant to the provisions of the Local Government Act 2000 and was formally set up by Cabinet on 26 July 2017. The Constitution of the City Council recognises the establishment of this Committee and sets out its membership and responsibilities.

## **7.3 Financial Implications**

- 7.3.1 There are no financial implications arising from this report.

## **7.4 Procurement Implications (if required)**

- 7.4.1 There are no procurement implications arising from this report.

## **7.5 Human Resources Implications (if required)**

- 7.5.1 There are no human resources implications arising from this report.

## **7.6 Public Sector Equality Duty**

- 7.6.1 There are no equality issues arising from this report.

## **8 Background Documents**

- 8.1 The City Council's Constitution, September 2018
- 8.2 The Cabinet Committee – Group Company Governance terms of reference 2018-19
- 8.3 Report to Cabinet, 26 July 2016 – “Group Company Governance”