

# **BIRMINGHAM CITY COUNCIL**

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

**WEDNESDAY, 16 JANUARY 2019 AT 11:00 HOURS**  
**IN COMMITTEE ROOM 6, 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 **NOTES OF THE LAST MEETING**

Notes of the last meeting to be confirmed.

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

Oral update.

**9 - 12**

5 **PROCESS FOR APPOINTING DIRECTORS**

Process outline document - for discussion.

**13 - 16**

6 **PROCESS FOR CREATING COMPANIES**

Process outline document - for discussion.

**17 - 74**

7 **GROUP COMPANY GOVERNANCE - INFORMING THE AUDIT RISK ASSESSMENT**

Report of the Corporate Director, Finance & Governance.

**75 - 80**

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

Report of the Corporate Director, Finance & Governance.

**81 - 108**

9 **GROUP COMPANY - RISK REGISTER**

Report of the Corporate Director, Finance & Governance.

10 **DATE OF THE NEXT MEETING**

The next meeting is scheduled for Wednesday, 13 February 2019 at 1130 hours in Committee Room 6, Council House.

11 **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.

12 **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**

13 **PRIVATE NOTES OF THE LAST MEETING**

- Refer to Private Reason

14 **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  
12 DECEMBER 2018**

## **Attendance:**

Councillor Brigid Jones, Deputy Leader in the Chair;  
Councillors Debbie Clancy and Jon Hunt

## **Also in Attendance:**

Kate Charlton	City Solicitor
Connie Price	Head of Service - Legal
Georgina Dean	Solicitor
Martin Stevens	Head of City Finance Accounts
Richard Tibbatts	Head of Category – Strategic Services
Marie Reynolds	Committee Services

Andrew Christie	Chair	– Birmingham Children's Trust
Andy Couldrick	Chief Executive	– Birmingham Children's Trust
Jon Glasby	Non-Executive Director	– appointed by BCC

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## **APOLOGIES**

- 1 Councillor Brett O'Reilly and Clive Heaphy submitted their apologies.
- 

## **DECLARATIONS OF INTERESTS**

- 2 Martin Stevens – interests detailed in Council Related Companies –  
Report of the Corporate Director, Finance and Governance (Appendices 2 & 3).

Following a discussion it was:-

- 3 **RESOLVED:-**

That only declarations of interest be recorded that related to the companies  
discussed at the meeting.

## **PUBLIC NOTES OF THE LAST MEETING**

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

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

5 Connie Price, Legal Services, updated on the following:-

4 December 2018 provided training (roles and responsibilities of director) to Finance Officer (grade 6) he had found written material useful – encouraging feedback.

24 January 2019 – further training for members and officers - (BCC's companies – roles and responsibilities of directors). Connie suggested invite letter for training be sent on behalf of Chair and relevant senior officers to increase attendance levels – direct bearing on future company appointments next year.

Connie negotiating with Chair, Trust and Charities – acknowledged charity expert from Liverpool – will update accordingly.

The Committee noted the following action points:-

- Training scheduled for members and officers – 24 January 2019 – invite letter to directors – sent on behalf of Chair and relevant senior officers.
- Invite letter - Cllrs Clancy and Hunt – encourage their respective parties.
- Richard Tibbatts request for training – January 2019 accepted.

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**GROUP COMPANY – RISK REGISTER**

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

(See document No. 1)

Martin Stevens, Head of City Finance introduced the report and referred to the 2 additional risks detailed in 4.1 of the report. He confirmed that any actions taken would be reported accordingly.

During the discussion the following action points were captured:-

- Consider top ten companies – risk assurance/business plan – discussion
- Oversight of companies where risks may apply
- Any company at risk – brought to committee.

6 **RESOLVED:-**

The Committee considered the information provided.

Determine whether the judgement on the risks were reasonable and assess whether mitigating actions are sufficient to reduce the risk to the Council to an acceptable level.

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**REQUIREMENTS FOR COMPANY STATUTORY FILING**

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

(See document No. 2)

Martin Stevens, Head of City Finance introduced the report.

During the discussion it was raised that where as a director there was a personal liability that there was a need for a chasing mechanism in place to prevent delays and the avoidance of penalties.

Connie Price, Head of Service, Legal updated the Committee on Commonwealth Games (Birmingham) CIC that it had been set up under a growth company; the series of events leading up to action being taken as a result of forgetting to file their accounts, the reputational impact and the subsequent action that was taking place to seek provision for the company to be dissolved.

It was confirmed that within training statutory filing was covered.

During the discussion the following action point was captured:-

- Next Meeting – draft protocols – companies – process for nomination

7

**RESOLVED:-**

The Committee noted the report;

The Committee noted further reports would be provided where companies failed to meet statutory deadlines for reporting information.

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**COUNCIL RELATED COMPANIES - 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. He confirmed that no companies had been created by the Council since the last meeting, however, two new companies had been identified which related to investments by one of the companies in which the Council held an interest.

During the discussion it was explained why some dormant companies were set up to carry a brand/trademark although not actively trading.

Action points:-

- Continue to work through list of Companies
- Pen Portraits
- Active/Dormant
- Directors – check conflicts – report at appropriate time

8

**RESOLVED:-**

The Committee noted the detail of companies and;

Considered the impact on the forward plan of the Committee

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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.

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**RESOLVED:-**

The Committee noted:-

the proposed actions to mitigate the concerns of the External Auditor;

the progress in delivering the proposed actions to date.

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**BIRMINGHAM CHILDREN'S TRUST CIC – PEN PORTRAIT**

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

(See document No. 5)

Martin Stevens, Head of City Finance introduced the report. The following points captured:-

- Asset Locked Company
- Due to first year of trading – lack of accounting information
- Risk Assurance – January 2019
- Draft Accounts – April 2019
- Pension liability cost – fully funded.

10 **RESOLVED:-**

The Committee noted the report.

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**DATE OF NEXT MEETING**

11 The next meeting is scheduled to take place on Wednesday, 16 January 2019 at 1100 hours in Committee Room 2, Council House.

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**EXCLUSION OF THE PUBLIC**

12 **RESOLVED:-**

That, in view of the sensitive nature of the discussion due to take place relating to Birmingham Children's Trust, the public be now excluded from the meeting.

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**CABINET COMMITTEE – GROUP COMPANY GOVERNANCE****16 JANUARY 2019****[Discussion Draft] Process for Appointment and resignation of Directors****Appointments of Directors**

**Certain Director Appointments (for example, appointments to the LGA, WM Fire & Rescue Authority, WMCA etc) are, currently, reserved to Full Council (page 42 Constitution). The intention is that such specific appointments should remain with Full Council for approval.**

The proposal is that CC-GCG approves all other officer and elected member appointments to outside bodies.

Elected member appointments are currently ratified by Cabinet and the CC-GCG would need to consider whether this should continue to be the case and, if so, at what frequency.

**Protocol for Appointment of Directors to Outside Bodies: -**

- 1.) It is proposed that the Initial Stage of the appointment/nomination process is to be carried out by supporting officers of the CC-GCG (Finance and Legal) together with service area officers where appropriate.**

**Information to be collated and points to consider by supporting officers at this initial stage include:**

- a. Requesting party to provide information as to the Company/Organisation requesting the appointment and details of the vacancy arising including necessary skills, experience etc. which a director would be required to have;
- b. Determine whether the appointment requires an Elected Member or a Council officer to fill the role
- c. Consider whether the requesting party has requested a specific named individual or whether a new nomination needs to be found;
- d. Consider potential conflicts of interest;
- e. Establish whether the appointment requires a full director (and whether this would be Executive or Non-Executive) or whether an alternative might be considered as more appropriate e.g. an observer.
- f. If an Officer appointment is required and no name has been put forward, consideration may be given to making an appointment from the 'Director

Pool' (a list of suitably qualified individuals who have been trained and are willing to act in the position of Directors on an as and when basis.)

- g. If an Elected Member is required, a request for nominations is submitted to the Party Group. In all nominations, the Party Group would need to consider whether the appointment is political, should be proportional, relevant skills required; potential conflicts of interest; consent of individual member; suitability of individual to a particular body (e.g. WOC, Trust, Charity, BID)

## **2.) Process at CC-GCG – Officer Appointments**

- a. A Nomination of Director Report to be presented to CC-GCG detailing:-
  - i. Company information and background including shareholder details and details of the vacancy arising
  - ii. the Name of the nominee(s) intended to be appointed and confirmation of their consent to act
  - iii. detail of the current board of directors or existing company governance,
  - iv. the term of appointment,
  - v. how the nominated individual would meet the skills requirements noting their other directorships and potential conflicts of interest,
  - vi. any other information supporting the nomination
- b. CC-GCG to consider the report and whether to approve the appointment or seek further information. *Committee may require a mechanism for reverting back for further information*
- c. Once appointment has been approved, finance and legal colleagues to report back to the requesting party (service area lead) and the individual nominated. Any external Company Secretary to be informed to ensure compliance. If Company Secretary duties are carried out in-house, appropriate action taken to update Companies House records. Finance/Legal and Committee Services advised to update their databases.
- d. Training/refresher to be arranged for new Directors.

### **3.) Process - Elected Member Appointments:**

- a. A Nomination of Director report to be presented to the CC-GCG to include all the elements outlined in 2(a) above but in addition, details provided by the Party Group and requirements as to proportionality.
- b. As above, CC-GCG to consider whether to approve the appointment or seek further information. *Committee may require a mechanism for reverting back for further information*
- c. Once appointment approved by CC-GCG, the same process will apply for reporting back to the requesting party, the individual appointed, Company Secretary, Finance/Legal, Committee Services as above; Consideration should be given to the Elected Member appointment also being ratified with Cabinet (monthly, quarterly, yearly?)

### **4.) Ratification of Director Appointments by CC-GCG**

- a. It is sometimes necessary to make urgent appointments e.g. when officers leave the Council with short or no notice or members fail to be re-elected. In those and similar situations replacement directors need to be appointed as soon as possible, for example, to prevent a company becoming inquorate and unable to lawfully conduct its business.
- b. CC-GCG might consider a delegation to finance and legal officers to make urgent appointments following the process outlined above. Appointments made in this way would be ratified by CC-GCG at the next scheduled committee meeting.

### **Resignation of Directors**

Director resignations will be notified to the CC-GCG as part of the above process where the vacancy has arisen in this way.

It will be a condition of all director appointments from the outset that the directorship lasts only whilst directors are current officers or elected members and they will be required to resign prior to departure. If the Council wishes to retain the services of a departing director it may do so through the appointment process prior to such departure. A director who refuses to resign and therefore no longer retains the Council's nomination or appointment, will cease to benefit from the Council's Director & Officer insurance effective from the date of their departure.

The Council may require a director to resign his/her nominee directorship at any time without giving a reason and such director will be required to co-operate fully.

Relevant compromise agreements will contain an obligation that directors departing the Council, leaving the Council insufficient time for a replacement to be appointed (even from the pool) will be required to sign resignation documentation before they depart even if the resignation does not become effective until a later date.

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## CABINET COMMITTEE – GROUP COMPANY GOVERNANCE

16 JANUARY 2019

### [Discussion Draft] Process for Creation of Companies

**Before a new Company can be created, the following areas must be worked through and consultation must take place with Finance, Legal and HR. A report covering the following areas must be taken through either Cabinet (over £1m in turnover or assets) or Cabinet Committee – Group Company Governance (CC-GCG). The report should be cleared by the HR Business Partner, Finance Business Partner, Legal services and the Commercialism Board.**

**[Officer Group]**

The report to Cabinet/CC-GCG must satisfactorily address each of the following – successful completion of which could help form the basis of a business plan:

#### **Purpose of Company**

*What will the company deliver?*

#### **Why an Alternative Delivery / Special Purpose Vehicle?**

*Conduct a service review (if appropriate) and/or a full options appraisal. Explain why a company needs to be created. Advantages over in-house delivery. What are the benefits to BCC?*

#### **Type of Company vehicle proposed and rationale**

*Examples: Wholly Owned, Teckal, Joint Venture, Community Interest Company, Charitable*

#### **Company Equity**

*Will the company require equity, long term loan, cash flow loan to give it the initial resources/ working capital to ensure its solvency? [Consider State Aid implications].*

#### **Objectives**

*For Example: To deliver improvements in the service, to trade outside of the Council (private sector), drive out savings etc.*

#### **Governance**

*What governance arrangements will be required within the company? Who will form the company board? Who will act as company secretary?*

Who will form the senior leadership team within the company?  
What will be the Council's role / involvement with the company's governance structure? How will the Council exercise control or influence?

### **Intelligent Client Function**

Is there any cost / resource implication that needs to be considered if the Council has to undertake any continuous monitoring or handling / processing of information provided by the Company etc. what key information / reports will need to be provided to the Council on a regular basis by the company.

### **TUPE, Pensions Implications**

Are staff transferring from BCC? Will the company require admitted body status? How will staff and trades union consultation be carried out? Has due consideration been given to Equal Pay implications?

### **Guarantees and indemnities required**

Will the company require any guarantees in respect of pension fund, cash flow, leases etc.?

### **Tax and VAT implications**

Has the Council's Tax Specialist been consulted? Tax liabilities (e.g. Corporation) can add significantly to the cost base of a company compared to in-house service delivery.

### **Financial Implications**

Budget transfers required. Impact on support services and accommodation. State Aid considerations.

### **Financial Reporting**

What mechanism will be put in place to inform the shareholder and the client function of the financial performance of the company? Will the company be of a size to be incorporated within the Council's group accounts? Is the company aware of the reporting deadlines for financial statements?

### **Procurement Implications**

e.g. Exclusivity, legal and regulatory constraints.

### **Assets**

Will the company acquire any assets? How will the company finance the purchase of assets?

### **Borrowing and Investing**

What are the company's arrangements for investing surplus cash? Will the company require any borrowing facilities and if so, from whom?

### **IT and Data**

*Will the company use BCC systems? Will the company be a data controller or process data on behalf of the Council? Will IT assets belong to the company or remain BCC assets?*

DRAFT





## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>CABINET COMMITTEE - GROUP COMPANY GOVERNANCE</b>
<b>Report of:</b>	<b>Corporate Director, Finance &amp; Governance</b>
<b>Date of Decision:</b>	<b>16 January 2019</b>
<b>SUBJECT:</b>	<b>GROUP COMPANY GOVERNANCE – INFORMING THE AUDIT RISK ASSESSMENT</b>
<b>Wards Affected: All</b>	
<b>1. Purpose of Report</b>  1.1 The Council has created a number of companies that fall within its sphere of control, either as wholly owned subsidiaries, associates where the Council has significant influence, Joint Ventures or other arrangement. The Council has to consider whether there are risks to the Council either through misuse of funds or misstatement of activities.  1.2 The larger entities within the overall Council group boundary have been asked to provide information through the completion of a questionnaire to allow Members to gain assurance that funds are being used efficiently and effectively and that information provided in respect of their financial statements may be relied on. The responses provided are attached at Appendix 1.	
<b>2. Decisions recommended:</b>  2.1 Members are asked to note the responses received to inform the audit risk assessment.  2.2 Inform the Audit Committee of any significant risks or concerns identified so that remedial action can be taken.	

**Contact Officers:****Clive Heaphy, Corporate Director, Finance & Governance****Telephone No:** 0121 303 2950**E-mail address:** [clive.heaphy@birmingham.gov.uk](mailto:clive.heaphy@birmingham.gov.uk)**Martin Stevens****Telephone No:** 0121 303 4667**E-mail address:** [martin.stevens@birmingham.gov.uk](mailto:martin.stevens@birmingham.gov.uk)

### **3. Compliance Issues:**

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies:  
The production of annual group accounts is a statutory requirement to consolidate entities that are controlled by the Council and are material to its activities.
- 3.2 Relevant Ward and other Members /Officers etc. consulted on this matter:  
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):  
Section 151 of the Local Government Act requires the Corporate Director of Finance and Governance (as responsible officer) to ensure proper administration of the Council's financial affairs.
- 3.4 Will decision(s) be carried out within existing finances and resources?  
Yes.
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):  
The issues raised in this report are largely of a technical financial nature.

### **4. Relevant background/chronology of key events:**

- 4.1 An exercise is carried out each year to determine the "Group Boundary", that is to define which subsidiaries, associates and joint ventures are consolidated with the Council's financial statements to produce Group Accounts. This report includes assurance statements from those companies that meet the criteria for consolidation or which may meet the criteria in the near future. Appendix 1 is a collated set of responses to these questions.
- 4.2 A review of the Group Boundary has been undertaken and it is considered that one new company should be included in the Group Accounts, namely Birmingham Children's Trust C.I.C.
- 4.3 Birmingham Children's Trust C.I.C was incorporated on 9 May 2017 as a wholly owned Company of Birmingham City Council with Teckal status and became fully operational from 1 April 2018. The Council retains overall strategic control of the Trust and remains accountable for the welfare and wellbeing of children and young people for improving outcomes.
- 4.4 The Cabinet Committee - Group Company Governance reviews the activities of the Council's companies and can consider any appropriate mitigating actions where necessary.

### **Signature :**

Corporate Director, Finance & Governance: .....

Dated: .....

**List of Background Documents used to compile this Report:**

None

**Appendix 1**

Responses from:

Acivico Limited

Birmingham Airport Holdings Limited (to follow)

Birmingham Children's Trust C.I.C.

Birmingham City Propco

Finance Birmingham Limited

InReach Limited

The National Exhibition Centre (Developments) Plc

Paradise Circus Limited Partnership (to follow)

PETPS (Birmingham) Limited

PETPS (Birmingham) Capital Limited

PETPS (Birmingham) General Partner Limited

PETPS (Birmingham) Pension Funding Scottish Limited Partnership



ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD	
Question	Response
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	<p>Board Directors are provided with an induction on appointment to ensure their responsibilities are understood and they have the tools necessary. A review of the Board Effectiveness has been commissioned and the Shareholder's representative is in receipt of the initial draft report with a further update due to be issued shortly following clarification of points raised in the report.</p> <p>The stabilisation project within Acivico has reviewed the senior management structure and roles required to manage the new 3 year business plan and the board is considering how best to recruit the skills required to ensure the success of the BP while the decision of the cabinet on the future of the company is pending.</p>
How does the company ensure that Directors engage fully with the company and what is the record of attendance	<p>Board meetings are held on a monthly basis with the newly constituted Audit Committee meeting a minimum of 3 times a year. The Board Directors now have lead roles in the themes developed as part of the stabilisation plan and new 3 year business plan, bringing them closer to the operational activities of the business which ensures engagement with and challenge to the operational team.</p> <p>All Board and Audit Committees are mounted and actions recorded with BCC Legal team providing the equivalent of Company Secretarial support.</p>
Please explain the system of governance and the financial control	As part of the stabilisation project the financial reporting of the company has been reviewed with monthly reporting through to the Board directly.

ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD	
Question	Response
environment within the company	<p>Audit Committee Terms of reference have been reviewed and approved by Board, thereby giving more focus and direction on Scrutiny with a workplan approved at the Audit Committee on 14 November which will provide post scrutiny of the monthly management accounts and pre scrutiny of the year end financial accounts.</p> <p>Within the operation areas there are clear Finance BPs working with the services to develop their month end forecasts. As part of project phoenix there continues to be an element of review of the budget assumptions (QA).</p> <p>Scheme of delegations is being reviewed and due to be approved by the Audit Committee in the new year.</p> <p>Financial systems are currently not fit for purpose with lots of manual intervention, therefore the new ICT strategy has proposed and subsequently been approved by Board for a new financial system suitable for the size of the company.</p>
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	<p>There is an internal audit work programme with the lead auditor reporting through to the audit committee on a regular basis.</p> <p>There is proposed to be an internal control review for operational managers that will require quarterly sign off, which will be implemented for Qtr 3.</p>
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	<p>The company is currently working with a going concern support letter, therefore this is not relevant for the current company set up.</p> <p>For the new company, there is a 3 year business plan which is approved by the Board and supported by the Shareholder, with cabinet approval in</p>

<b>ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD</b>	
<b>Question</b>	<b>Response</b>
	<p>December to implement the recommendations in accordance with the business plan.</p> <p>Cashflow has been an ongoing discussion with BCC finance, which is yet to be finalised despite monthly requests to do this.</p>
What is the company's approach to the development of business continuity plans.	Business Continuity plans are being updated due to the changes in structures within the company over the summer months. The main plan is shared and updated for BCC in accordance with the timelines requested.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	There was a project plan for the original implementation, although the EMT has proactively commissioned a review of the implementation to identify any gaps/risk the company might not be aware of. This report is due to be reported to the Audit Committee in January where an action plan will be agreed if required.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	Each monthly financial report identifies key risks/issues and any mitigations as required. There is formal reporting of corporate risks through to the Audit committee on a regular basis and a detailed workshop of all business risks is currently in progress following a review of the internal process and ownership throughout the business.
Please set out your management's processes for identifying and responding to risks of fraud.	As can be seen through a live situation this year, a concern was raised immediately with the internal audit team and an audit commissioned. This has been reported through to the Audit Committee and progress monitored. The outcome of the audit was that no fraud had occurred, but

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Question	Response
	it demonstrates the management approach in place to deal with such instances.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	See above and Audit Committee involvement.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	Potential for Fraud exists where services process cash. There is also potential within the P2P process but the company's SAP environment runs the same processes as BCC with procurement for example reviewing new suppliers and contracts.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	As detailed above there are processes for all Service Areas to report through the Corporate Risk Register, Financial Reports and Service Area updates.  The Stabilisation and now transition projects are running RAID logs which will report key issues/risks through the dashboard which are subsequently reported through to Board on a monthly basis.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	See the one example within the company this year.
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	See above
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance	The Shareholder has a representative attend the Acivico Board, and receives all papers. Additional financial controls are in place due to the Going Concern letter, so there are updates in the intervening periods too.



<b>ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD</b>	
<b>Question</b>	<b>Response</b>
that would impact on the financial status of the company	BCL is a prime example of regular updates to BCC due the losses and need to transition the service back to the client to enable BCC to reconsider the business model most appropriate for the service needs.
How would the company communicate any breach of GDPR requirements to the Council.	The company reports through to EMT, Board and then the Shareholder's representative. There is a current case that is working its way through the process in December so the Shareholder will receive an update before the end of the calendar year.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	The company is supported by BCC in its insurance requirements and a review of the policies has been completed with the BCC lead in the last couple of months. The company is preparing its requirements for the new company as part of the transition. A schedule of policies is available if required.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	There has been a full review of accounting policies this year with the major change being the approach to the Bad Debt Provision. This was approved by the Board and subsequently endorsed by the external auditors as part of the 2017/18 financial accounts preparation.
What matters or events occurred during the year that could influence your	The final days of the internal audit plan are going to focus on the revised

ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD	
Question	Response
audit approach or may have an impact on the Council's consolidated financial statements.	corporate risk register which will be available at the end of December 2018. The risks are evaluated giving consideration to the financial impact, thereby determining the mitigations required to bring the inherent risk down to an acceptable residual risk level.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	Not application but note the proposal to close the company and create a new company which will realise the losses of Acivico to date.
Please set out details of any indemnities or guarantees that the company has given.	None known by current EMT.
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	Not applicable
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	The latest Audit Findings report is attached for information, which includes the management responses and actions.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	Note the cabinet report on the new 3 year business plan.

<b>BIRMINGHAM CHILDREN'S TRUST CIC LTD</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	In recruiting directors the Trust has appropriate selection and evaluation criteria, which is then supplemented by its induction process for new directors. The Trust has a training programme for directors and holds regular Board development sessions.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	All directors attend regular committee and Board meetings and are also invited to a number of service meetings of a strategic nature. A record of attendance is maintained by the Head of Executive.
Please explain the system of governance and the financial control environment within the company	The Trust's overall governance is led by the Board with a number of supporting sub-committees which include Performance & Quality, Finance & Resources and Workforce Committees. The Trust has adopted its own Scheme of Delegation which is reviewed on at least an annual basis.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	The Trust has appointed Birmingham Audit to provide an internal audit of its main processes and controls to test and provide assurance to the Executive, Committees and Board.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	The Trust has produced a Strategic Business Plan for 2018-2023 which is then signed off by the Council. This business plan will be refreshed annually on a rolling basis and for this year will need to reflect the recommendations of the recent OSFTED inspection.
What is the company's approach to the development of business	The Trust has a number of business continuity plans covering specific services and is in the process of developing an overall business continuity

<b>BIRMINGHAM CHILDREN'S TRUST CIC LTD</b>	
<b>Question</b>	<b>Response</b>
continuity plans	plan for the Trust as whole based on advice by BCC's Business Resilience Team.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	The Trust inherited the levels of compliance with the (25th May 2018) Data protection Act 2018 and GDPR from the Council. To address the specific needs of the Trust an Information Assurance Plan has been developed and will be delivered in parallel to a similar Council Plan. Oversight of the delivery will be provided by the Trust Information Assurance Group chaired by the Trust's Senior Information Risk Officer.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	The Trust has a corporate risk register and financial reporting was not identified as a significant risk. Operational risk registers are being rolled out across service areas which will include finance, at which further consideration will be given to this. In the meantime this risk is monitored and managed by the Director of Finance & Resources with support from the Head of Finance and team.
Please set out your management's processes for identifying and responding to risks of fraud.	The Trust has adopted by and large BCC's fraud policy.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	The process of identifying the risk of fraud is overseen by the three Executive Directors in the Trust and would be reported to the Chief Executive and Head of Executive via the Executive Team meetings.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	The nature of fraud risk across the Trust extends to financial and contracting

BIRMINGHAM CHILDREN'S TRUST CIC LTD	
Question	Response
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	Oversight of the corporate risk register is managed by the Director of Finance & Resources and a report is provided on a quarterly basis to the Finance & Resources Committee, which also undertake reviews of individual areas of significant risk.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	Matters of a significant nature would be notified to the relevant Executive Director who would then take appropriate action, including notifying the Chief Executive where necessary. The levels of awareness is therefore considered appropriate for the Trust.
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	This would be via the Trust's Executive Management Team and where appropriate reported to the Trust's Finance & Resources Committee and /or Board.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	The Trust meets with the Council on a monthly basis at the Operational Commissioning Group (OCG) and on a quarterly basis provides a quarterly financial report to the Council which is then discussed at the OCG. The Trust also meets quarterly with the Council for the Partnership Governance Group at which all strategic risks can be raised and discussed.
How would the company communicate any breach of GDPR requirements to the Council.	The Trust has appointed a Data Protection Officer who reports to the Head of ICT, and the latter acts as the Chief Information Officer for the Trust. Any breaches would be reported via the DPO to the CIO, SIRO, and the Information Assurance Group which meets every other month, and the

<b>BIRMINGHAM CHILDREN'S TRUST CIC LTD</b>	
<b>Question</b>	<b>Response</b>
	Trust's Executive on at least a quarterly basis.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	The Trust has procured via the Council a series of insurances to cover financial losses in a number of areas. The scope and level of cover for such insurances is subject to regular review by the Director of Finance & Resources.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	The Trust's Director of Finance & Resources is responsible for determining the accounting policies in line with professional accounting standards, and agreeing these with the Finance & Resources Committee. This will be subject to independent review by the Trust's external auditors (to be appointed).
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	No material matters or events have impacted on the Trust's approach to external audit.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	<p>The Trust does not currently hold any non-current assets.</p> <p>No changes in current circumstances that may cause impairment are envisaged.</p> <p>The Trust undertakes daily cash flow monitoring and cash management. The Trust secures investments of cash surpluses via the BCC treasury team.</p>

BIRMINGHAM CHILDREN'S TRUST CIC LTD	
Question	Response
	The trust has minimal debt and monitors aged debt on a monthly basis. The trust buys back Account Receivable debt progression services from BCC via a support services agreement.
Please set out details of any indemnities or guarantees that the company has given.	The Trust has not provided any indemnities or guarantees which would give rise to a financial commitment.
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None as yet.
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	Not applicable as the Trust is still in its first operational year and is to appoint external auditors in time for the financial year end.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	No material changes which have had a negative impact. The appointment of a new Director of Practice has had a positive impact on the operational performance of the Trust, and the new Director of Finance & Resources has been making improvements to the Trust's support services.





BIRMINGHAM AIRPORT HOLDINGS LTD	
Question	Response
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	Directors are appropriately qualified to ensure they are adequately resourced to carry out their duties. Directors continue to have updates and training to keep them up to date on current affairs. Directors are provided with regular updates with relevant information and reports on the Airport.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	The company holds Board working groups/workshops (which are minuted) throughout the year. Directors have access to any information that they request from time to time, which is reported to them in a timely manner. Attendance at Board meetings is noted and recorded in the Board meetings minutes. BCC (Elaine Peach) is also notified of meeting attendance
Please explain the system of governance and the financial control environment within the company	The group has a number of policies in place to manage its financial risks, along with a risk management programme which is reported to the Board and Audit Committee. Where actions are necessary and not covered by the policies in place, approval is sought from the Board. Enclosed at appendix A is the Airport's Management assurance to Directors which details further information on this process.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	The group is highly regulated and have policies & procedures in place to ensure compliance. Management are adequately qualified to perform their duties. Audits & reviews are undertaken regularly to ensure that the control environment is effective. These are reported through management and internal audit to the Audit Committee. Enclosed at appendix A is the Airport's Management assurance to Directors which details further information on this process.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	The business holds a 10-year business planning model which includes full financial statements. This model is updated on an annual basis to reflect actuals and updated budgets. There is then a regular review of the plan to ensure that assumptions remain valid and engagement is sort from stakeholders throughout the business. A focus of the plan is on cash management and ensuring sufficient funds are available or access to funds available throughout the term to meet both operational and development needs. The plan also allows the business to ensure it remains within financial covenants.

BIRMINGHAM AIRPORT HOLDINGS LTD	
Question	Response
What is the company's approach to the development of business continuity plans.	Engagement with key stakeholders throughout the business to understand the critical systems and processes in place. Understanding then the time criticality should these be compromised and the dependence these have on other systems and processes.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	The company has an information security department tasked with ensuring compliance with GDPR requirements
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	<p>The risk assessment process is 'fit for purpose' and is supported by a robust internal audit function and external audit review. In addition, we keep proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group.</p> <ul style="list-style-type: none"> <li>Annually we set Budgets which outline the forthcoming year's expectations for financial and statistical results. Budgets are a useful function to benchmark and compare actual results against which could potentially highlight inaccuracies with accounting.</li> <li>The Airport prepares Monthly management accounts (and adopted FRS102 (new UK GAAP) during 2015/16 and the monthly management accounts are being prepared on this basis), reporting actual results against budget on a monthly basis in a timely manner. In addition, the report includes Key Performance Indicators (KPIs) which are traffic lighted (red, amber, green) which direct attention to variances from prior year and Budget. The process includes investigating variances to budget with any anomalies identified and followed through to resolution.</li> </ul> <p>The management accounts process is a thorough robust process and is able to disclose at any point in time the financial position of the company, subject to any processes that only occur at yearend such as actuarial valuations in accordance with accounting standard FRS102.</p>
Please set out your management's processes for identifying and responding to risks of fraud.	<ul style="list-style-type: none"> <li>Where risks of fraud are apparent or have been identified by internal audit or external auditors, management responds to these by reviewing existing controls and where necessary implementing additional controls.</li> </ul>

BIRMINGHAM AIRPORT HOLDINGS LTD	
Question	Response
	Consideration to risks of fraud forms part of Management's processes, for example additional controls were implemented to reduce the risk of fraud on changing supplier bank account details.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	<p>The Airport has a robust Internal Audit (IA) function which periodically reviews the financial functions and findings are reported through to the Airport's Audit Committee (AC).</p> <ul style="list-style-type: none"> <li>The IA function reports to the Chair of the Audit Committee and reports independently from management to the AC three times per annum.</li> </ul> <p>The Executive Board (EB) of directors formally reports to the Board six times per annum, any concerns raised by the EB are followed up with further supporting work and reporting.</p>
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	PWC identified during the economic downturn that there had been an increase in fraudulent activities in changing bank details held within supplier payment ledgers, with employee's changing bank details from supplier's details to their own personal details. Immediately following this awareness, The Airport increased its controls in this area and these were subsequently reviewed by the Internal audit and external auditors for satisfactory compliance.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	Internal Audit maintain a risk register which is updated by management and is reported to the Audit Committee three times per annum highlighting any changes.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	No fraudulent or irregularities have been identified by the Directors or the Internal and External audit process.
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	The Airport's Board and Audit Committee include representatives from BCC and therefore any fraud or suspected fraud would be reported to BCC via their representatives on these bodies.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	The Airport's Board includes representatives from BCC and therefore any financial risks would be reported to the Board and hence BCC would be informed through this channel.

Group Accounts Preparation

Appendix 1

BIRMINGHAM AIRPORT HOLDINGS LTD	
Question	Response
How would the company communicate any breach of GDPR requirements to the Council.	The Airport's Board includes representatives from BCC and therefore any GDPR compliance breaches would be reported to the Board and hence BCC would be informed through this channel
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	The Airport has a Commercial Crime policy in place with a £5m value (£100k excess). This policy is dependent on rigorous policies and procedures being in place to mitigate fraud. The business operates segregation of duties, along with dual authentication (e.g. supplier payments). Change requests (i.e. bank details) are subject to verification from separate sources to those requesting. An authorisation level hierarchy is in place. The Airport also has an internal audit department to review policy and procedures in place, test effectiveness and advise improvements.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	<p>The financial statements continue to be prepared and comply with New United Kingdom Generally Accepted Accounting Practice (UK GAAP) following the adoption in 2015/16.</p> <ul style="list-style-type: none"> <li>To the best of our knowledge using the experience and professional knowledge of staff and external guidance, the financial statements have been prepared in accordance with New UK GAAP and the Companies Act 2006.</li> <li>It should be noted that during 2018/19 there have been no fundamental changes within The Airport which would raise any concerns with regard to financial statements being prepared consistently with previous years.</li> </ul> <p>We have selected and applied consistently, suitable accounting policies that are relevant to the company's and group's business</p> <ul style="list-style-type: none"> <li>The accounting policies adopted during the year are consistent with those applied in prior years.</li> </ul> <p>Accounting Policies are considered with any new area which arises during the year.</p>

## Group Accounts Preparation

## Appendix 1

BIRMINGHAM AIRPORT HOLDINGS LTD	
Question	Response
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None to report at this point in time.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None to report at this point in time.
Please set out details of any indemnities or guarantees that the company has given.	None to report at this point in time.
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	<p>The Airport's judgements and estimates made are reasonable and prudent.</p> <ul style="list-style-type: none"> <li>The Airport makes relatively few judgments and estimates in preparing the financial statements and where the directors have had to make provisions they are reasonable and prudent.</li> </ul> <p>The provisions held are subject to a timed release policy where any greater than three years old are subject to a phased release, provisions held with this policy highlighted during PwC's review and identified within their audit report</p>
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	None to report at this point in time.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None to report at this point in time.



<b>BIRMINGHAM CITY PROPCO LTD</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	One of the Directors has extensive experience of Companies and the other is a qualified Accountant. However, no formal training has been provided although this is now in hand to take place during January 2019.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Propco is a relatively new company, initially set up to manage two main purposes resulting in c20 transactions per annum. At present, there is unlikely to be more than an annual meeting. However, the company could expand to deal with other commercial property transactions and if this were the case, the frequency of business/meetings would need to be reviewed.
Please explain the system of governance and the financial control environment within the company	A Head of Finance and Finance Manager oversee all transactions. There are established contracts with PWC for both auditing and VAT/Tax advice. As above, the level of transactions with this company are low and monitored against a well establish business model/forecast spreadsheet.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	There have been no reviews and the company is new with very few transactions. However, if anything is raised through audit or other monitoring, this would be addressed.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going	This has been well covered for the initial dealings of the company relating to 2 hotels at the NEC but the business plan could evolve to include more commercial property transactions.

<b>BIRMINGHAM CITY PROPCO LTD</b>	
<b>Question</b>	<b>Response</b>
concern and how are plans developed for taking remedial action to any adverse changes within the company	
What is the company's approach to the development of business continuity plans.	Nothing specific at present as the only 2 matters are long term leases relating to 2 well established hotels at the NEC site. This would clearly be kept under review.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Nothing particular as the transactions are receipt of lease/rental and repayment of borrowing (together with some modest running costs). No major GDPR risk.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	Nothing of concern at present.
Please set out your management's processes for identifying and responding to risks of fraud.	Separation of duties in place and there is a model which governs/monitors the transactions.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	Annual Board meeting.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	None



<b>BIRMINGHAM CITY PROPCO LTD</b>	
<b>Question</b>	<b>Response</b>
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	See above
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None reported
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Would report internally and escalate accordingly/
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Embedded in monitoring but we have leases for both hotels for the long term.
How would the company communicate any breach of GDPR requirements to the Council.	Would report to BCC reporting officer.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	Insurance is in place. Low risk of fraud with the controls in place and nature of the company and with the monitoring undertaken.
<b>Financial Statements</b>	

BIRMINGHAM CITY PROPCO LTD	
Question	Response
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	This is the first full year of trading and the company was set up with regard and reference to appropriate policies. This would be reviewed and monitored through the Annual Statement of Accounts and auditors report.
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	N/A as not yet received first full set of audited accounts.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None

FINANCE BIRMINGHAM LTD	
Question	Response
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	From a regulatory perspective, the FCA requires annual confirmation that approved persons are up-to-date on statutory compliance knowledge. From an operation perspective, the discipline of weekly senior management meetings, bi-monthly board meetings and annual appraisals (to include a review of any training requirements) keep everyone up-to-date. In addition, via a non-executive director, governance is monitored via an independent view.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Bi-monthly board meetings, supported by the provision of board papers, minutes of content and those in attendance.
Please explain the system of governance and the financial control environment within the company	Governance is monitored at a number of levels; as a regulated company FB is required to operate within FCA guidance, the board receives and reviews an annual business plan which incorporates any operating risks and governance is a statutory agenda item at each board meeting.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	Financial controls exist and a full accounts audit is undertaken by a third party (currently Grant Thornton) on an annual basis. Additionally, contracts are in place with external compliance advisors.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going	Finance Birmingham is a self-sustainable, profit making business.

FINANCE BIRMINGHAM LTD	
Question	Response
concern and how are plans developed for taking remedial action to any adverse changes within the company	
What is the company's approach to the development of business continuity plans.	Finance Birmingham is a business that essentially operates on the ability of its people, however, contingency plans exist in the event that any supporting infrastructure fails.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Finance Birmingham is GDPR compliant.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	The company's financial performance is reported at every Board meeting – anomalies are reported immediately. BCC officers and Councillors attend FB board meetings.
Please set out your management's processes for identifying and responding to risks of fraud.	Financial controls are documented and followed. Senior management meets weekly and discusses each aspect of the business. As mandated by the FCA, FB has a formal Compliance Officer.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	Any instances of fraud would be immediately reported to the Board by the CEO. Management ensures that there is the appropriate segregation of duties in place to ensure that the risk of fraud is minimised.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	None.

<b>FINANCE BIRMINGHAM LTD</b>	
<b>Question</b>	<b>Response</b>
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	Through regular (weekly) management meetings.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None.
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	The CEO would report to the FB board and, at the same time, raise awareness with senior BCC officers.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Through financial updates and review of management accounts at bi-monthly board meetings.
How would the company communicate any breach of GDPR requirements to the Council.	The CEO would report to the FB board and, if required, raise awareness with senior BCC officers.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	PI insurance, Directors and Officers Insurance
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Regular meetings with Grant Thornton. Annual audit.

FINANCE BIRMINGHAM LTD	
Question	Response
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None.
Please set out details of any indemnities or guarantees that the company has given.	Guarantee in the sum of £400k, approved by BCC – this relates to FDC's proposed lease assignment on the property at (part) 11 <sup>th</sup> Floor, 45 Church Street. The guarantee is required due to the short trading history of FDC. FB's staff will all be located in the new offices.
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None.
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	None.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None.

INREACH (BIRMINGHAM) LTD	
Question	Response
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	InReach has a sole director appointed by BCC who is a senior officer within BCC who has extensive knowledge and experience in the housing development sector. InReach has no direct employees; InReach has a service contract with BCC to provide specialist skills in housing development, finance and legal services.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	InReach has a sole director, board meetings are held quarterly and the director has 100% attendance record.
Please explain the system of governance and the financial control environment within the company	InReach employs KMPG as its accountants who use XERO accountancy system for bookkeeping, production of monthly management accounts and year end accounts. Dual authorisation is required for banking with Barclays
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	Assurance is provided through its engagement of KPMG. All reporting is via InReach Board for approval and sign off.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going	KPMG provide monthly management reports Cashflow is reviewed monthly The business Plan is reviewed and updated at least every six months

INREACH (BIRMINGHAM) LTD	
Question	Response
concern and how are plans developed for taking remedial action to any adverse changes within the company	
What is the company's approach to the development of business continuity plans.	InReach's risk management Plan Business continuity Insurance
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	InReach does not hold or process any personal data, contracted parties are required to be fully compliant with GDPR requirements
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	The risk register is reviewed, updated and reported to the board on a quarterly basis.
Please set out your management's processes for identifying and responding to risks of fraud.	Via the risk register and board meetings
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	Monitoring is via the risk register at least quarterly
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	Management Agreement with Pinnacle, potential risk around rent collection on behalf of InReach – this is mitigated by monthly report of voids, arrears and rent collection, and access to their I.T system which provides InReach with full transparency in relation to rent collection.



INREACH (BIRMINGHAM) LTD	
Question	Response
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	Risk Register and board meeting
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	none
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Via the risk register and board meeting
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Monthly management accounts are shared with BCC as InReach's sole shareholder
How would the company communicate any breach of GDPR requirements to the Council.	Promptly and in writing
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	Through its engagement of KPMG  InReach has extensive Insurance Cover Summary with Alford Burton Insurance Brokers.
<b>Financial Statements</b>	

INREACH (BIRMINGHAM) LTD	
Question	Response
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Through ongoing dialogue with KPMG
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	InReach took handover of the completed Embankment building in July 2018
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	InReach's key asset is Embankment which is a 92 apartment building, any impairment is dependent on the property valuation
Please set out details of any indemnities or guarantees that the company has given.	none
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	none
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	<ul style="list-style-type: none"> <li>• Some expenditure items were incorrectly classified. InReach to confirm and apply with its Accountants KPMG.</li> <li>• The draft Financial Statements were late and incomplete. Improvements have been made regarding deadlines. KPMG and InReach to work together to make further improvements.</li> <li>• No internal audit in 2017/18. InReach will be undergoing an internal audit during June/July 2018 and will discuss the recommendation with Birmingham audit as part of this process.</li> </ul>

INREACH (BIRMINGHAM) LTD	
Question	Response
	<ul style="list-style-type: none"> <li>• Bank reconciliations are not checked and signed by InReach. InReach will explore the possibility of utilising Xero for this purpose with KPMG. InReach will request KPMG carry out this task as part of their book keeping role.</li> <li>• Cash flows should be completed on a monthly basis. Cashflow forecasts will be reviewed and updated on a quarterly basis to mirror the current practice within BCC. KPMG will be requested to provide the monthly management information outlined as part of their book keeping role.</li> <li>• There is no process for reconciling trade creditor balances to supplier statements. InReach will raise recommendation with KPMG and set a process in place.</li> <li>• Invoices are not always signed as services received and authorised for payment. InReach will explore functionality of Xero with KPMG to establish whether an I.T based solution is available to reduce officer time &amp; admin.</li> <li>• The Embankment project should be treated as an investment property and assessed at fair value. InReach will ensure this happens.</li> </ul>

INREACH (BIRMINGHAM) LTD	
Question	Response
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	There are currently plans in place to expand InReach with the proposed acquisition of two city centre sites for development and the acquisition of void HRA properties

PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	The Limited Partners each appoint 2 directors to the Board of Paradise Circus General Partner Limited, based on their experience and are continually reviewed by their respective companies.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Attendance to quarterly Board meetings and steering group meetings, plus updates received from the SPM.
Please explain the system of governance and the financial control environment within the company	Governance: all decisions require of at least 1 director from each Limited Partner. Financial control: Segregation of duties are in place for the finances, including all bank payments requiring 2 levels of approval + a different person to set-up the payment.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	Paradise Circus Limited Partnership ("PCLP"), acting by Paradise Circus General Partner Limited (the Board) considers the internal control environment to be strong and the overall inherent risk to be low. PCLP is a joint venture between Birmingham City Council ("BCC") and Britel Fund Trustees Limited ("BFUT"). The Board is responsible for the governance of the joint venture and any financial risks would be communicated to the Board. In addition, PCLP is subject to an annual external audit, performed by HW Fisher. No issues have been reported in relation to the overall control environment or systems of internal controls.

<b>PARADISE CIRCUS LIMITED PARTNERSHIP</b>	
<b>Question</b>	<b>Response</b>
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	External provider for financial business plan and budgeted cash flow, which is reviewed in the quarterly board/steering group meetings.
What is the company's approach to the development of business continuity plans.	At the quarterly board/steering group meetings, all risks are monitored and mitigated against.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Third party provider is used to deal with all marketing and publicity, where all the personal data is retained and held in accordance with the GDPR requirements.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	The risk assessment process relating to financial reporting is considered to be strong, with appropriate levels of internal controls implemented across the business.
Please set out your management's processes for identifying and responding to risks of fraud.	There are processes in place across the business to identify and reduce the risks of fraud. This includes the segregation of duties, approval levels and structure of financial reporting. No instances of fraud have been identified to date.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	The Board receives and comments on various reports on commercial business risks, and considers the entity's governance structure and processes at each meeting as appropriate.

PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	<p>Fraud risks are reviewed and considered annually, in particular in relation to business propositions or significant changes within the business.</p> <p>There were no significant audit or fraud risks noted in the paper presented to the Board on 11 December 2018 by the External Auditor.</p> <p>The Board also signed the audit representation letter which contained several representations on the identification and prevention of fraud.</p> <p>The risk of material misstatement of the financial statements due to undetected fraud is low.</p>
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	The Board receives and comments on various reports on commercial business risks, and considers the entity's governance structure and processes at each meeting as appropriate.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None identified to date.
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Any instances of fraud or suspected fraud would be flagged at the regular Board meetings, which includes two representatives from BCC.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	<p>PCLP is a joint venture between BCC and BFUT. The Board is responsible for the governance of the joint venture and any financial risks would be communicated to the Board.</p> <p>Joint venture reporting is completed on a quarterly basis and presented to the Board where the financial performance of the joint venture is discussed including any key financial/operational issues, risks or losses.</p>

PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
How would the company communicate any breach of GDPR requirements to the Council.	Any instances of breach of GDPR requirements would be flagged at the regular Board meetings, which includes two representatives from BCC.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	The bank accounts for the company are operated on its behalf by Argent (Property Development) Services LLP (ASLLP) as the Accounting Officer. The company itself does not have cover for this risk but ASLLP holds professional indemnity insurance which protects it and the company from all risks associated with the misconduct of any ASLLP employee in the course of their duties.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	The accounting policies as set out in the 2017/18 financial statements were considered to be relevant and appropriate as at 11 December 2018 when the financial statements were presented to the Board. The accounting policies are reviewed ahead of each annual audit and discussed with the external auditors as appropriate. There are no changes in the joint venture's activities which would require the accounting policies to be updated.



PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	<p>A full review of the WIP balance was undertaken during the year, which resulted in a prior year restatement. Phase 1 costs, which are not claimed back from BCC or the developer, have be re-classed as investment properties, as future rental income is receivable, therefore, it falls within the definition of an investment property per FRS102. (1CW costs were re-classed YE 30 June 2017, with 2CS costs being re-classed YE 30 June 2018)</p> <p>Other costs, which were considered not capital in nature, were expensed to the P&amp;L, this impacted the b/f reserves and the P&amp;L for both the 2017 and 2018 year ends.</p> <p>Overall, there has been a significant reduction in the WIP balance.</p> <p>No other matters/events to note.</p>
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None identified to date.
Please set out details of any indemnities or guarantees that the company has given.	None identified to date.
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	<p>Investment Properties held at fair value and the classification of the head lease as a finance lease can both considered as significant judgements.</p> <p>None others to note.</p>
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	None identified to date.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None identified to date.



<b>PETPS(BIRMINGHAM) CAPITAL LIMITED</b> <b>PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED</b> <b>PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
Question	Response
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	Birmingham City Council officers manage the Companies and Partnership. Birmingham City Council officers have been appointed Directors of the Companies.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	<p>Birmingham City Council officers manage the Companies and Partnership. Birmingham City Council officers have been appointed Directors of the Companies.</p> <p>All meetings held during 2017/18 were attended by both directors.</p>
Please explain the system of governance and the financial control environment within the company	<p>During 2017/18, the City Council implemented an asset backed funding structure to allow the City to finance payments to the NEC Limited Pension Fund. As part of this, the City set up wholly owned companies PETPS (Birmingham) Capital Limited and PETPS (Birmingham) General Partner Limited which established PETPS (Birmingham) Pension Funding SLP. The Partnership was capitalised with £17.2m cash which has been loaned back to the City.</p> <p>All cash transactions are processed through the City Council's financial systems .</p>
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of	All cash transactions are processed through the City Council's financial systems..

<b>PETPS(BIRMINGHAM) CAPITAL LIMITED</b> <b>PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED</b> <b>PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
Question	Response
internal controls and the results of any reviews that have been undertaken.	
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	Not applicable. The largest transaction relates to payments by the City Council to the Partnership under the £17.2m loan and the Partnership makes payments to the Trustee of the Fund in accordance with an agreed distribution schedule.
What is the company's approach to the development of business continuity plans.	Not applicable
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Birmingham City Council officers manage the Companies and Partnership in line with Birmingham City Council processes.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	All cash transactions are processed through the City Council's financial systems.
Please set out your management's processes for identifying and	All cash transactions are processed through the City Council's financial systems.

<b>PETPS(BIRMINGHAM) CAPITAL LIMITED</b> <b>PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED</b> <b>PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
Question	Response
responding to risks of fraud.	
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	All cash transactions are processed through the City Council's financial systems.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	Not applicable. The largest transaction relates to payments by the City Council to the Partnership under the £17.2m loan and the Partnership makes payments to the Trustee of the Fund in accordance with an agreed distribution schedule
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	Birmingham City Council officers manage the Companies and Partnership. Birmingham City Council officers have been appointed Directors of the Companies.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Birmingham City Council officers manage the Companies and Partnership. Birmingham City Council officers have been appointed Directors of the Companies.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Not applicable. The largest transaction relates to payments by the City Council to the Partnership under the £17.2m loan and the Partnership makes payments to the Trustee of the Fund in accordance with an agreed distribution schedule

<b>PETPS(BIRMINGHAM) CAPITAL LIMITED</b> <b>PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED</b> <b>PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
Question	Response
How would the company communicate any breach of GDPR requirements to the Council.	Birmingham City Council officers manage the Companies and Partnership. Birmingham City Council officers have been appointed Directors of the Companies.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	<p>All cash transactions are processed through the City Council's financial systems.</p> <p>Birmingham City Council maintains Directors and Officers insurance which both the companies and Directors have benefit of.</p>
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Accounting policies are reviewed annually when preparing the Company accounts.
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None

<b>PETPS(BIRMINGHAM) CAPITAL LIMITED</b> <b>PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED</b> <b>PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
Question	Response
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	None
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None





PETPS(BIRMINGHAM) LIMITED	
Question	Response
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors.  Directors meetings held during 2017/18 were attended by both directors.
Please explain the system of governance and the financial control environment within the company	Following the completion of the sale of the NEC Group in 2015, the Company assumed the ongoing funding obligation of the NEC Limited Pension Fund and Scheme. At the same time the City Council gave guarantees to meet the funding obligations that may arise in respect of the liabilities.  The Company itself has no financial transactions.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	The Company itself has no financial transactions.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going	The Company itself has no financial transactions.

PETPS(BIRMINGHAM) LIMITED	
Question	Response
concern and how are plans developed for taking remedial action to any adverse changes within the company	
What is the company's approach to the development of business continuity plans.	The Company itself has no financial transactions.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Birmingham City Council officers manage the Company in line with Birmingham City Council processes
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	The Company itself has no financial transactions.
Please set out your management's processes for identifying and responding to risks of fraud.	The Company itself has no financial transactions.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	The Company itself has no financial transactions.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	The Company itself has no financial transactions.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	The Company itself has no financial transactions.

<b>PETPS(BIRMINGHAM) LIMITED</b>	
<b>Question</b>	<b>Response</b>
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	Not applicable. The Company itself has no financial transactions.
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Not applicable. The Company itself has no financial transactions.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Not applicable. The Company itself has no financial transactions.
How would the company communicate any breach of GDPR requirements to the Council.	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	Not applicable. The Company itself has no financial transactions.  Birmingham City Council maintains Directors and Officers insurance which both the company and Directors have benefit of.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Accounting policies are reviewed annually when preparing the Company accounts.

PETPS(BIRMINGHAM) LIMITED	
Question	Response
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	None
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC	
Question	Response
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	The Company's sole function is servicing the finance originally raised to fund the construction of halls 17-20 at the National Exhibition Centre. Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors.  Directors meetings held during 2017/18 were attended by both directors.
Please explain the system of governance and the financial control environment within the company	The Board comprises two Board members and is responsible for managing the affairs of the Company. It meets a minimum of once a year to discuss the requirements of the Company.  The Board specifically monitors the statutory audit of the annual accounts including the independence of the statutory auditor.  All transactions are processed through the City Council's financial systems in line with a budget previously approved by the Company Directors.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	All transactions are processed through the City Council's financial systems in line with a budget previously approved by the Company Directors.

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC	
Question	Response
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	Not applicable. The largest transaction relates to fixed interest payable in relation to £73m loan. Other transactions cover scheduled repayments of City Council loan and minor costs of operating Company and administrating debt. The Company has no sources of income other than Birmingham City Council.
What is the company's approach to the development of business continuity plans.	Not applicable
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Birmingham City Council officers manage the Company in line with Birmingham City Council processes.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	All transactions are processed through the City Council's financial systems.
Please set out your management's processes for identifying and responding to risks of fraud.	All transactions are processed through the City Council's financial systems.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	All transactions are processed through the City Council's financial systems.
Please set out the areas that face fraud risks, including specific accounts or	Largest transaction relates to the fixed interest payment in relation to £73m loan.

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC	
Question	Response
classes of transactions where fraud risks have been identified.	
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors. Largest transaction relates to the fixed interest payment in relation to £73m loan.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Not applicable. The largest transaction relates to fixed interest payable in relation to £73m loan. Other transactions cover scheduled repayments of City Council loan and minor costs of operating Company and administrating debt. The Company has no sources of income other than Birmingham City Council.
How would the company communicate any breach of GDPR requirements to the Council.	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	The largest transaction related to fixed interest payable in relation to £73m loan. Other transactions cover scheduled repayments of City Council loan and minor costs of operating Company and administrating debt.  All transactions are processed through the City Council's financial systems.

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC	
Question	Response
	Birmingham City Council maintains Directors and Officers insurance which both the company and Directors have benefit of.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Accounting policies principally relate to the debt and are reviewed annually when preparing the Company accounts.
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	An active market quote did not exist for the guarantee given by Birmingham City Council over the Company's 2027 loan stock at 1 May 2015. Management therefore developed an estimate of its fair value at initial recognition based on the trading price of the company's listed loan stock given the cashflows are identical.



THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC	
Question	Response
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	In relation to the Company's accounts at 31 <sup>st</sup> March 2018, the independent auditor has stated that no key audit matters were identified to be communicated in their report.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None



## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>CABINET COMMITTEE – GROUP COMPANY GOVERNANCE</b>
<b>Report of:</b>	<b>Corporate Director – Finance &amp; Governance</b>
<b>Date of Decision:</b>	<b>16 January 2019</b>
<b>Subject:</b>	<b>Group Company Governance - Section 24 Recommendations</b>
<b>Wards affected: All</b>	
<b>1</b>	<b>Purpose</b>
1.1	The External Auditor made a number of recommendations under Section 24 of the Local Audit and Accountability Act 2014 in his Audit Findings Report published on 30 July 2018. One of the recommendations related to Council's understanding of the financial position of its related companies and the Council's responsibility for their liabilities.
1.2	Reports on the actions taken to mitigate the recommendation of the External Auditor have been considered by this Committee at its meetings in November and December 2018. This report provides a further update on actions taken to date.
<b>2</b>	<b>Decisions recommended:</b>
	Members are recommended to:
2.1	Note the proposed actions to mitigate the concerns of the External Auditor
2.2	Note the progress in delivering the proposed actions to date.

**Contact Officer:** Clive Heaphy  
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**Contact Officer:** Martin Stevens  
**Telephone No:** 0121 303 4667  
**E-mail address:** [martin.stevens@birmingham.gov.uk](mailto:martin.stevens@birmingham.gov.uk)

### **3 Compliance Issues:**

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:  
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.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:  
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):  
The 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.
- 3.4 Will decisions be carried out within existing finances and resources?  
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):  
This report considers 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.

### **4 Relevant background/chronology of key events:**

- 4.1 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 report 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.
- 4.2 The External Auditor identified within one of his Section 24 recommendations that the financial position of companies and the Council's liability 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.”

- 4.3 The Council needs to monitor its response to the recommendation to ensure that the proposed action to mitigate the weaknesses identified is being progressed. The first progress report was considered by this committee at its meeting on 13 November. Attached at Appendix 1 is the third progress report for Members to consider.

**Signature:**

.....  
Clive Heaphy, Corporate Director – Finance & Governance

**Appendix**

Appendix 1 – Progress report on Section 24 recommendation



## 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>
		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 package for officers and members who take up directorships.			<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 on a regular basis in support of presentations by subsidiary companies.</p>

## Progress Report – Section 24 Recommendation

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
					<b>January 2019:</b> A training session for Council appointed directors has been arranged for 24 January.
		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>



## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>CABINET COMMITTEE – GROUP COMPANY GOVERNANCE</b>
<b>Report of:</b>	<b>Corporate Director – Finance &amp; Governance</b>
<b>Date of Decision:</b>	<b>16 January 2019</b>
<b>Subject:</b>	<b>Group Company – Risk Register</b>
<b>Wards affected: All</b>	
<b>1</b>	<b>Purpose</b>
1.1	To provide Members with information on the management of risks and issues within entities linked to the Council.
1.2	Members are asked to consider the potential risks that the Council faces and the actions being undertaken to mitigate the impact of those risks.
<b>2</b>	<b>Decisions recommended:</b>
	Members are recommended to:
2.1	Consider the information provided
2.2	Determine whether the judgement on the risks are reasonable and assess whether mitigating actions are sufficient to reduce the risks to the Council to an acceptable level.

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### **3 Compliance Issues:**

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:  
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.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:  
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):  
The 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.
- 3.4 Will decisions be carried out within existing finances and resources?  
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):  
This report considers the main risks that the Council faces as a result of its operation through and partnership arrangements with external organisations. The report sets out the actions being taken to mitigate those risks.

### **4 Relevant background/chronology of key events:**

- 4.1 Members have considered the company risk register at its meetings on 13 November and 12 December 2018. The risk register has been updated and includes one additional risk, namely:
- G-11 - Risks faced by the Council in respect of its associated companies are not given due consideration
- 4.2 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.
- 4.3 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
- is related through Council nomination rights, there may be little financial impact on the Council.

4.4 A full schedule of identified risks and the actions to mitigate those risks to an acceptable level is set out in Appendix 1 to this report.

**Signature:**

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Clive Heaphy, Corporate Director – Finance & Governance

**Appendix**  
Appendix 1 – Risk Register



## 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	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.	Corporate Director F&G	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 training session has been set up on 24 January 2019 for all current</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>					
				Directors and those who may fulfil the role in the future.	
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 training session has been set up on 24 January 2019 for all current Directors and those who may fulfil the role in the future.</p> <p>Training will have to be provided on an ongoing basis to ensure new councillors, officers or other Council nominated individuals who</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>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	<p>Company Directors</p> <p>Contact Officer</p>	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 performance issues which may not</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>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 training session has been set up on 24 January 2019 for all current Directors and those who may fulfil the role in the future.</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 nominated individuals who are</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>					
				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	Corporate Director F&G	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 minimised.	<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>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><b>Source of Assurance:</b> Returns from companies on their approach to risk management and fraud.</p>
G-07	Failure to comply with the requirements of GDPR	Contact Officer	Low/ Significant	The Council has to recognise that wholly owned companies are separate entities and that there are limits on what information can be	<p><b>Target Risk Rating:</b> Low/Low</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				<p>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.</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 information for consolidation in Group Accounts	Corporate Director F&G	Medium/ Significant	<p>The Council has to produce its 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</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> 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>“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>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</p>	

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				information that will be used for the final consolidation.	
G-09	The Council is considered to have significant influence over a company through its nomination rights	Corporate Director F&G	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 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.	<b>Target Risk Rating:</b> Low/Low  <b>Anticipated date of attainment:</b> July 2019  <b>Source of Assurance:</b> Information is sought on the overall structure of entity boards when the Council considers nominating individuals to external bodies.

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
				<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.	
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>The Council will monitor companies' approach to ensure they have appropriate insurance arrangements in place through the risk assurance questionnaire.</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>
G-11	Risks faced by the Council in respect of its associated companies	Chair – Group	Low/Medium	As more information is provided in respect of Council companies and as people become more familiar	<b>Target Risk Rating:</b> Low/Low



No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
<b>Governance Risks</b>					
	are not given due consideration	Company Governance		<p>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>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>

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</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>Council</p> <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>	

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Financial Risks</b>					
				The provision of regular monitoring reports to the Council will provide an added oversight so that any 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.	Corporate Director F&G	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	Corporate Director F&G	Low/ Medium	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	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> April 2019</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Financial Risks</b>					
				<p>be explicit but may be as part of general contracts.</p> <p><b>Action:</b> Information will be sought from the companies consolidated into the Council's Group Accounts to assess whether any guarantees have been given.</p>	<p><b>Source of Assurance:</b> Responses to questionnaires from group companies</p>
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</p>	<p><b>Target Risk Rating:</b> Low/Low</p> <p><b>Anticipated date of attainment:</b> April 2019</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
<b>Financial Risks</b>					
				<p>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 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>	<p><b>Source of Assurance:</b> Information sought from subsidiary companies through the financial information questionnaire for consolidation purposes.</p>
F-06	A company does not have a viable business plan/budget	Company Director	Medium/ Significant	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><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>					
				<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 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><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>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 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>					
				<p><b>Action:</b> To ensure that all Council companies where appropriate have either:</p> <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>	<p><b>Source of Assurance:</b></p> <p>Initial written confirmation from Companies' Chief Executive</p> <p>Statement of compliance in annual returns from companies or the statement of assurance to the shareholder.</p>

