

**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>13 November 2018</b>
<b>Subject:</b>	<b>Group Company – Risk Register</b>
<b>Wards affected: All</b>	
<b>1 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 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 reduce the risks to the Council sufficiently.

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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 The Council has created a number of arms-length entities to:
- assist in the provision of cost-effective service delivery,
  - provide a focussed vehicle for achieving Council aims and objectives,
  - mitigate the short term impact of specific funding requirements.
- 4.2 The Council has also entered into partnership arrangements with third parties through collaboration agreements or through nomination of directors/trustees to boards. Each arrangement carries certain risks that the Council needs to consider and mitigate to ensure that there are no/limited adverse outcomes.
- 4.3 In his Audit Findings Report, the external auditor identified 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 external auditor's concerns were such that he included a specific recommendation within the recommendations issued under Section 24 of the Local Audit and

Accountability Act 2014 that were considered by Council on 11 September 2018. The auditor’s 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.”

- 4.4 The initial range of risks has been identified through officers co-ordinating the Council’s activities with third party organisations. Further updates to the risk register will include comments from company contact officers and from the risks identified when authorisation for the creation of companies is confirmed. The proposal is to embed the identification of risk and any mitigating actions into the working relationship with partners.
- 4.5 The risks identified 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.
- 4.6 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.
- 4.7 However, in all cases where the Council is in an arrangement with a third party, there may be significant reputational risks to the Council, councillors or officers where an adverse event occurs. Therefore the Council needs to consider the potential risks from all entities to ensure that any adverse implications can be minimised.
- 4.8 Details of the current identified risks and associated actions in mitigation are set out in Appendix 1 to this report.

**Signature:**

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Clive Heaphy, Corporate Director – Finance & Governance

**Appendix**  
Appendix 1 – Risk Register