

Appendix 1

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
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
R-01	Company does not follow the principles of public service	Open
C-01	A company fails to provide appropriate levels of service	Open

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
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>Action: 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 this will be cascaded to all current Directors and those who may fulfil the role in the future.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: Criteria to be considered by Group Company Governance Committee for the selection of appropriate individuals to act as Directors by December 2018.</p> <p>Training to be cascaded to Directors from November 2018</p> <p>Source of Assurance: 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
Governance Risks					
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>Action: 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 this will be cascaded to all current Directors and those who may be fulfil the role in the future.</p> <p>Training will have to be provided on an ongoing basis to ensure new councillors or officers who are asked to take on the role of a director are adequately trained.</p> <p>A system of recording Director attendance should be created to monitor attendance at meetings.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: Training to be cascaded to Directors from November 2018</p> <p>Source of Assurance: 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
Governance Risks					
G-03	A company fails to file appropriate returns with Companies House	Company Directors Contact Officer	Low/ Significant	<p>Failure to file accounts or annual returns is a criminal offence. The filing of late accounts automatically generates a late notice penalty, which rises from £150 if up to 1 months late to £1,500 if more than 6 months late. Repeat offences receive a higher fine. A Director can end up with a criminal record and a fine of up to £5,000 for each violation.</p> <p>It is recognised that there may be a higher level of competency in Directors with specific backgrounds, for example, those with legal or financial qualifications, and consequently their penalties/sanctions may be higher.</p> <p>The failure to provide returns on a timely basis may be indicative of performance issues which may not have been detected.</p> <p>Action: 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 this will be cascaded to all current</p>	<p>Target Risk Rating: Low/Medium</p> <p>Anticipated date of attainment: Training to be cascaded to Directors from November 2018</p> <p>Maintenance of recording database to be implemented by November 2018</p> <p>Source of Assurance: 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
Governance Risks					
				<p>Directors and those who may be fulfil the role in the future.</p> <p>Training will have to be provided on an ongoing basis to include new councillors or officers 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>	
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</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: Training to be cascaded to Directors by November 2018</p> <p>Source of Assurance: 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
Governance Risks					
				<p>Director of a company.</p> <p>Action: 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 or officers who are asked to take on the role of observer.</p>	
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>Action: 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 or officers who are asked</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: Training to be cascaded to Directors by November 2018</p> <p>Source of Assurance: Record maintained of those undertaking training.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
				to take on the role of Director.	
G-06	The potential of a fraud taking place within a company	Corporate Director F&G	Low/High	<p>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> <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>Action: 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</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: March 2019</p> <p>Source of Assurance: Returns from companies on their approach to risk management and fraud.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
				that each major company has to consider its approach to risk management appropriately.	
G-07	Failure to comply with the requirements of GDPR	Contact Officer	Low/ Significant	<p>The Council has to recognise that wholly owned companies are separate entities and that there are limits on what information can be shared. It is also important to recognise that there are constraints on companies releasing information accidentally. The consequences of a breach of GDPR can be significant.</p> <p>Action: 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>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: March 2019</p> <p>Source of Assurance: 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	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	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: April 2019</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
				<p>companies that generally have nine months in which to produce their audited financial statements.</p> <p>The Council has to produce financial statements that show a “true and fair view” and are materially correct. The level of materiality for the Council is significant and therefore estimates of a company’s position are usually sufficient to satisfy external audit requirements as long as they are reasonably assured that there can be no material errors in the company accounts.</p> <p>Action: 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 December 31 for draft information on a financial position with the final return due by 29 April.</p>	<p>Source of Assurance: Return of draft and final questionnaires, management accounts during the year and companies’ draft accounts by 29 April 2019.</p>

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Governance Risks					
				Companies are also asked to provide management accounts so that a profile can be built up of the information that will be used for the final consolidation.	
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.	Target Risk Rating: Low/Low Anticipated date of attainment: July 2019 Source of Assurance: Information is sought on the overall structure of entity boards when the Council considers nominating individuals to external bodies.

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Governance Risks					
				Action: 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>Action: 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 ensuring it has insurance arrangements in place through the risk assurance questionnaire.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: January 2019</p> <p>Source of Assurance: Information is sought through the return of the risk assurance questionnaire considered by Audit Committee.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Financial Risks					
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"> • The reputational impact on the Council may be significant • 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 • The Council may have given guarantees to the company to enable it to continue trading which it will have to honour • The Council may face a loss of critical services that it will have to replace at a higher cost • The Council may have to meet a pension guarantee if staff were originally TUPE's from the Council 	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: The provision of training to Directors in November will provide a base of knowledge to enable appropriate levels of challenge to be put in place.</p> <p>Source of Assurance: 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
Financial Risks					
				<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>Action: The training of Directors will give them the knowledge of their responsibilities and also the actions that they can take to gain assurance that performance is being delivered to the necessary level to remain solvent or mitigating actions are put in place where there is a drop in performance.</p> <p>The provision of regular monitoring reports to the Council will provide an added oversight so that any downward trends can be identified at the earliest opportunity.</p>	

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Financial Risks					
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>Action: Review the tax position across the group and seek advice from external tax advisers.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: July 2019</p> <p>Source of Assurance: Advice received from external tax advisers</p>
F-03	A company provides guarantees/indemnities to a third party	Corporate Director F&G	Low/ Medium	<p>Where an entity gives guarantees/indemnities to third parties, an assessment needs to be undertaken each year to determine any likelihood of that guarantee being called. Guarantees need not be explicit but may be as part of general contracts.</p> <p>Action: Information will be sought from the companies consolidated into the Council's Group Accounts to assess whether any guarantees have been given.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: April 2019</p> <p>Source of Assurance: Responses to questionnaires from group companies</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Financial Risks					
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>Action: the Council monitors the terms and conditions of employment of Council companies.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: 31 March 2019</p> <p>Source of Assurance: 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 was a group structure in place, the total group employee budget was 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>Action: Seek information from the</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: April 2019</p> <p>Source of Assurance: Information sought from subsidiary companies through the financial information questionnaire for consolidation purposes.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Financial Risks					
				Council's subsidiary companies to determine whether they have been contributing to the Apprenticeship Levy.	
F-06	A company does not have a viable business plan/budget	Company Director	Medium/ Significant	<p>The Company Business Plan sets the framework for the company's activities for both the short and medium term. The financial consequences of the plan set the budget, resource requirements and targets for service delivery. If a company does not have an agreed business plan, then it does not have clear direction and directors have no measures against which to assess management and company performance or to consider the impact of risks to the company.</p> <p>Action: 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.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: September 2019</p> <p>Source of Assurance: 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
Reputational Risks					
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>Action: Company Directors should ensure that the ethos of the company includes the adherence to the 'Nolan' principles of public service.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: December 2019</p> <p>Source of Assurance: Feedback from company contact officers.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Contractual Risks					
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>Action: 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>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: March 2019</p> <p>Source of Assurance: Assessment of activity by Client Managers on a regular basis</p>