

## Audit, Risk & Assurance Committee

<b>Date</b>	12 November 2019
<b>Report title</b>	West Midlands Development Capital Ltd – Audit Committee arrangements
<b>Accountable Chief Executive</b>	Deborah Cadman, OBE Chief Executive Email: <a href="mailto:Deborah.Cadman@wmca.org.uk">Deborah.Cadman@wmca.org.uk</a> Tel: (0121) 214 7200
<b>Accountable Employee</b>	Linda Horne, Director of Finance Email: <a href="mailto:Linda.Horne@wmca.org.uk">Linda.Horne@wmca.org.uk</a> Tel: (0121) 214 7508
<b>Report has been considered by</b>	n/a

**Recommendation(s) for action or decision:**

**The Audit, Risk & Assurance Committee is recommended to:**

- (1) Confirm that there is no requirement for a separate Audit and Risk Committee for West Midlands Development Capital Limited, and that the WMCA Audit and Risk Committee will carry out this function.

## **1.0 Purpose**

This report provides an update to the Audit and Risk Committee on the audit committee arrangements West Midlands Development Capital as previously discussed with the ARAC Chair.

## **2.0 Background**

West Midlands Development Capital is a wholly owned subsidiary of WMCA and undertake the role of fund advisor for the Authority's £140m Collective Investment Fund, £70m Residential Investment Fund and £50m Brownfield Land & Property Development Fund.

WMDC is a teckal compliant company and has a contract for supply of services with Frontier Development Capital Ltd who are the Financial regulatory body. (A teckal company is one which benefits from works, services or supply from its controlling Authority without having to go through competitive tender. To be compliant, 80% of the activity must be public sector owned).

WMDC provide fund advisory services including sourcing, negotiation, due diligence and legal agreements.

All proposals for investments are reviewed through WMCA Assurance Process and endorsed or otherwise by WMCA Investment Board.

The funds are commercial and evergreen providing a market rate of return for the Authority based on value, risk and security.

WMDC has been operating since the start of the WMCA Fund in 2016. Investments are monitored through WM Finance Directors and WMCA Investment Board.

Contracts and Investments are then entered into and managed directly by WMCA.

WMDC receive a fee for this service at 0.5% of the original fund and from 1 April 2019 £600k pa for the 2 extended funds to fund resource and administration costs provided and recharged under agreement from FDC Ltd.

2 WMCA Directors, being the Authority's S151 Officer and the Director of Strategy are appointed Board Members and the Authority's Investment Director is WMCA Shareholder representative.

## **3.0 Audit Committee**

Admin and Resource Costs and fee income simply net off and have up to 31 March 2019 stood at approximately £650k pa. WMDC manage their own finances and governance and provide an externally audited set of annual accounts to WMCA in accordance with deadlines. WMCA recognises the subsidiary in its accounts but have not to date consolidated due to materiality.

In addition, the Board Members receive monthly financial information in terms of the company costs, income, cash flow and contracts.

Given materiality to date, the relative simplicity of the company and its finances and given all contracts for investment are made through the assurance process and contracted directly with WMDC, it is recommended by the Authority's S151 Officer that a separate Audit Committee is not required to be established by the entity and that should any risks arise these will be managed through WMCA Audit Risk and Assurance Committee directly.

This position will however remain under review for if and when company activity expands.

#### **4.0 Financial implications**

N/A

#### **5.0 Legal implications**

N/A.

#### **6.0 Equalities implications**

N/A

#### **7.0 Other implications**

N/A