Barratt & Cooke
INVESTING SINCE 1880

MiFIDPRU Disclosure 2023

Executive summary

The purpose of this document is to provide an overview of the firm's governance and risk arrangements, together with disclosures regarding the firm's capital requirements and position.

This document is produced in accordance with the FCA's Investment Firms Prudential Regime, which came into force on 1st January 2022. Under the regime, Barratt & Cooke is categorised as a "non-SNI MIFIDPRU investment firm".

All figures shown within this disclosure have been prepared using the firm's audited financial results for the year ended 31st March 2023.

Background & business strategy

Barratt & Cooke Limited is an incorporated company, authorised and regulated by the FCA, which has been providing investment management services for over 130 years. Situated in the heart of Norwich, the firm has approximately £1.5bn under management and, although it has clients from all over the country, the majority originate from East Anglia.

The firm has remained viable throughout its history through steady stewardship and a conservative approach to both operational and investment risk management. The director's focus is on growing the business organically. New services and products have been launched in recent years to ensure that the firm can effectively compete and provide solutions to a broader demographic of clients; however, the focus remains on providing discretionary managed services, incorporating safe custody of client assets, within these offerings.

In line with this aim of steady growth, the firm's owners and directors' goal is to ensure that the firm remains viable long into the future. The directors therefore have a conservative risk appetite, which includes ensuring that the firm has sufficient capital to protect it from low probability, though plausible, events. The Board believes that the firm's risk appetite complements its business model and both act in the interests of clients.

Governance & risk management

Governance arrangements

The firm's Board is responsible for oversight of the executive team and providing leadership and challenge in regards the firm's strategy, risk appetite and culture. The Board meets at least three times a year, with additional meetings taking place if required. All members of the Board have substantial business and industry skills, experience and understanding, allowing for effective oversight and decision-making frameworks to be implemented.

The Board delegates responsibility for the daily running of the firm's operations and approach to risk management to the executive team. The executive team implements policies and procedures to allow for effective systems and controls to be in place across the firm's operations, prevent conflicts of interest, ensure that staff are knowledgeable and competent and, ultimately therefore, that the firm delivers good client outcomes.

The executive team is aided by the firm's departmental managers and compliance team, ensuring that the firm operates effectively, and ongoing monitoring of client outcomes and risks is undertaken. The firm has internal committees in place throughout the business to provide a platform for discussions and make recommendations as to the ongoing suitability of the firm's systems and processes.

Risk Committee

Under MIFIDPRU 7.1.4R, the firm is not required to establish a risk committee. However, in line with the Board's conservative approach to risk management and its belief that maintaining such a committee is best practice and helps safeguard the firm and its clients, the Board deems it prudent that such a committee is in place.

Directorships

In accordance with MIFIDPRU 8.3.1R (2), the table below shows the number of external directorships (both executive and non-executive) held by the members of Board as of 31st March 2023.

Name	Role	Executive	Non-executive
William Barratt	Chairman	2	0
Samuel Barratt	Chief Executive Officer	2	0
William Mellor	Investment Director	0	0
Miles Piercy	Director	0	0
Nigel Savory	Non-executive Director	3	0
James Hunter	Non-executive Director	2	1

Risk management

The Board believes that effective risk management is critical in safeguarding the prosperity and longevity of our business and plays a key role in our approach to ensuring good client outcomes. The firm considers all risks to which it is exposed through ongoing assessments and monitoring, performing a comprehensive risk review at least annually, which is presented and discussed at board level. The review is designed to highlight inherent risk and ensure that the firm has the necessary mitigation in place to prevent harm from occurring.

To achieve this, risk identification, assessment and mitigation is divided into a three-tier process.

Tier 1: The Board/directors are responsible for the identification, control and management of the risks to which the firm is exposed.

Tier 2: The firm's Risk Committee, encompassing the operational directors and compliance team, ensures that risk and compliance frameworks are in place to satisfy the firm's risk appetite parameters, and provide oversight.

Tier 3: Ongoing Management Information (MI) is collected, and regular tests are performed across the firm's operations, which are monitored by the directors and compliance team to ensure that the risk management process is functioning correctly.

It is recognised that the firm faces risks daily and therefore risks are identified and assessed across the business on an ongoing basis. In assessing risk, the risk committee operates a dynamic risk management framework, with all identified risks being assessed against three core metrics. Firstly, risks are assessed for their likelihood and potential impact, following which they are then adjusted by a vulnerability score, which reflects the committee's opinions on the firm's systems and controls.

In line with this methodology, we perform our risk analysis on four core risk areas, which are each divided into sub-categories, as shown below:

Core risk areas	Sub-categories
Strategic Risk	Business Continuity, Corporate Governance, Financial Controls, Marketing
Compliance & Legal	FCA Rules, Regulatory Notifications, Complaints
Data Security and Financial Crime	Information & Data Security, AML
Operational Risk	Technology, CASS, Suitability, Dealing, People, Administration

Risks are considered in relation to the firm, its clients, and the wider market. The outcome of this assessment is then integrated into the firm's ICARA and used in calculating the firm's final own funds requirement.

In line with the Board's conservative approach to risk, the firm's ICARA is designed to quantify all capital risks that could impact the firm's ability to operate, including regulatory-based risks (K-factors), together with factors such as variance in the firm's balance sheet and stress tests e.g. the impact of a prolonged recession. As part of the ICARA process, the directors also undertake economic cycle analysis, to help provide perspective for longer term planning purposes.

The ICARA ensures that the firm has the necessary capital required, and immediate access to liquidity, to safeguard against key risks occurring, thus ensuring the viability and sustainability of the firm's business model and strategy.

Own funds

The following table (OF1) is published in accordance with MIFIDPRU 8.4, and shows the firm's own funds capital as at the most recent year end, being 31st March 2023.

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	28,709	
2	**TIER 1 CAPITAL**	28,709	
3	**COMMON EQUITY TIER 1 CAPITAL**	28,709	
4	Fully paid up capital instruments	100	Share capital
5	Share premium	-	
6	Retained Earnings	24,542	Retained earnings
7	Accumulated other comprehensive income	1,370	Revaluation reserve
8	Other reserves	2,697	Merger reserve
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments	-	

Own funds reconciliation

The following table is published in accordance with MIFIDPRU 8.4, and shows the reconciliation of regulatory own funds to the balance sheet in the audited financial statements, for the year ending 31st March 2023.

		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Crossreference to template OF1**
		As at period end (GBP thousands)	**As at period end (GBP thousands)**	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Tangible Assets	3,480	-	
2	Investments	21,178	-	
3	Debtors	1,271	-	
4	Cash and cash equivalents	5,267	-	
	Total Assets	**31,196**	-	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors	2,414	-	
2	Deferred tax	5	-	
3	Other provisions	68	-	
	Total Liabilities	**2,487**	-	
Shareholders' Equity				
1	Called up share capital	100	-	OF4
2	Revaluation reserve	1,370	-	OF7
3	Merger reserve	2,697	-	OF8
4	Profit & loss account	24,542	-	OF6
	Total Shareholders' equity	**28,709**	-	

Note: Capital, included in investments/retained earnings, is held predominantly in short-dated UK government securities, giving the directors access to liquidity (T1); however, a separate £1m is held in an instant access bank account to cover immediate requirements.

Own funds requirements

As part of the firm's overall assessment of its capital requirements, in line with the Overall Financial Adequacy Rule (OFAR), the firm calculates several regulatory-based sums, known as K-factors. These are sums calculated via quantitative methods that cover risks associated with the firm's activities:

- K-AUM: reflects risks associated with managing investments.
- K-CMH: reflects risk associated with holding client money.
- K-ASA: reflects risks associated with holding client assets.
- K-COH: reflects risks associated with execution-only dealing.

Additionally, the firm must calculate its Fixed Overheads Requirement. This sum is calculated as one quarter of the firm's annual fixed overheads.

In accordance with regulatory requirements, we detail these sums below:

	As at 31st March 2023
Sum of K-AUM, K-CMH and K-ASA	£1,117,307
K-COH	£129
Total K-factor requirement	**£1,117,436**
Fixed Overheads Requirement	£1,331,000

In calculating the firm's final capital requirements (the above figures represent minimum sums the firm must hold), the figures above are included in the firm's full ICARA assessment, which is reviewed at least annually by the Board.

As mentioned previously, the directors undertake both quantitative and qualitative studies of potential risks, which include stress tests and balance sheet volatility in calculating the firm's final risk capital requirements.

As a long-established, family-owned firm, the owners and directors view themselves as custodians of the business and aim to ensure the viability of the firm deep into the future. Due to this, the Board takes a conservative approach to risk, operating a multi-year planning horizon, within which low probability, but plausible, risks are identified and assessed.

The directors acknowledge that the probability of multiple risks highlighted in the ICARA occurring simultaneously in a normal macro environment is low. However, the directors are mindful that risk events 'cluster' at times of economic stress; it is not improbable, therefore, that several events could occur simultaneously at such times, particularly scenarios considered within the stress tests.

It is therefore the Board's opinion, that to ensure the firm is never placed in a financial position that affects its viability as a going concern, capital requirements should reflect 'event horizon' risk. As such, the Board remains comfortable in its assessment of own funds requirements.

Remuneration policy

Under MIFIDPRU 7.1.4R, the firm is not required to establish a remuneration committee due to the size and complexity of the business. The firm does, however, have a remuneration policy in place whereby all employees' remuneration is considered during the year by the executive team.

The firm offers remuneration to all staff by way of fixed and variable components. The structure of the remuneration policy, and the firm's operating model, is such as to discourage risk taking and ensure employees' focus is on providing positive client outcomes.

Fixed remuneration

Fixed remuneration is based on an individual's level of responsibility, professional experience and knowledge.

Salaries are reviewed annually by the executive team and adjusted due to factors such as changes in role, responsibility or skills, in addition to external factors such as inflation. Base salaries are set at such levels that negate the requirement for additional variable pay and ensure that an appropriate balance is achieved between the fixed and variable components.

Variable remuneration

All employees receive variable remuneration by way of a discretionary bonus, which is calculated and agreed upon annually, by the executive team, using both quantitative and qualitative inputs.

The firm's bonus pool is calculated based on the firm's profitability and capital position, with staff rewards being adjusted in line with roles and after consideration of an individual's non-financial performance, behaviour and conduct. Due to the bonus pool being calculated based on annual profits, it is possible that, under certain circumstances, the firm might not be in a position to pay variable pay to its staff.

Material Risk Takers (MRTs)

Within SYSC 19G.5, the FCA defines MRTs as members of staff whose professional activities have a material impact on the risk profile of the firm or of the assets that the firm manages. In line with this, as at 31st March 2023, the directors identified twelve individuals within the firm as Material Risk Takers, being eight investment managers (certification function staff) and four senior managers (directors).

Quantitative disclosures

The table below details the total remuneration received by employees of the firm, by category.

	Remuneration type		
	Fixed	**Variable**	**Total**
Senior management	£990,000	£849,000	£1,839,000
Other MRTs	£741,000	£482,000	£1,223,000
Other staff	£1,433,000	£238,000	£1,671,000
Totals	**£3,164,000**	**£1,569,000**	**£4,733,000**