

BIRMINGHAM CITY COUNCIL

CABINET COMMITTEE – GROUP COMPANY GOVERNANCE

**Thursday 14 January 2021 at 1000
hours via an On-line meeting**

Attendance:

Councillor Brigid Jones, Deputy Leader - Chair
Councillors Tristan Chatfield and Gareth Moore,

Also in Attendance:

Alison Jarrett	Assistant Director - Development and Commercial, Finance & Governance
Connie Price	Head of Law – Commercial, Procurement, Privacy & Information
Georgina Dean	Solicitor, Legal Services
Mandeep Marwaha	Committee Services

1 NOTICE OF RECORDING/WEBCAST

The Chairman advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's Internet site (www.civico.net/birmingham) and members of the press/public could record and take photographs except where there were confidential or exempt items.

The business of the meeting and all discussions in relation to individual reports was available for public inspection via the web-stream.

APOLOGIES

- 2 An apology was submitted on behalf of Councillor Jon Hunt for his inability to attend the meeting.
-

DECLARATIONS OF INTERESTS

- 3 Councillor Chatfield declared he was a Director of Birmingham Airport Holdings Limited.
-

PUBLIC NOTES OF THE LAST MEETING – 12 NOVEMBER 2020

- 4 The public notes of the last meeting were agreed and there were no matters arising.
-

COMPANY UPDATE

The following report of the Assistant Director, Commercial and Development was submitted:-

(See document No.1)

The Assistant Director Commercial and Development gave an overview of the the latest changes made across the Council's portfolio of companies. Reference was made to point 3.3 which included information of what the companies had filed on their accounts. There was a specific focus on any audit comments or qualifications however, most of the companies had received an unqualified audit. It was noted some companies were exempt from the audit due to their size. Birmingham Airport had an interim accounts performance report as they did not require an audit certificate.

She reminded Members on the private agenda, the impact of Covid-19 had been reviewed across the portfolio of companies and details would be shared later in the meeting. Any specific issues would be picked up via the ongoing revenue monitoring for the Council. Companies were routinely invited to this Committee for Members to obtain a fuller understanding of the portfolio.

Since the last Committee (November 2020), the second full National Lockdown had taken place. The National Lockdown had recently occurred and only a few companies were able to reflect the impact for this update. A further update across the portfolio would be provided at the next Committee.

The Chair questioned if Birmingham School Holdings was a legacy company from the School PFI Schemes. The Assistant Director Commercial and Development confirmed this was correct.

No further comments were made by the Committee.

The Chair was pleased to hear the compulsory strike off action against Birmingham Wheels had discontinued and she thanked the Officers for the hard work involved around this.

RESOLVED: -

- 5 The Committee noted the information provided within the report and at private appendix 1 which contains commercially confidential details concerning associated companies.
-

FUTURE BOARD APPOINTMENTS

The Assistant Director, Commercial and Development made the following points on this item:

- Various Officers from the Council had been appointed to Boards of companies and were replaced by a new appointment once Officers decided to retire. These appointments related to Directorships, Trustees and Board Observers.
- Appointments were usually made on an annual basis however, there were changes throughout the year for both Members and Officers.
- It was becoming increasingly difficult to appoint Officer's.
- Once appointed, the Officer's primary role was to support the Company. In most cases this worked fine however, where the Council was a client of the Company i.e. negotiating with the Company, this was an issue due to potential conflicts of interest. Therefore, it was crucial to consider appropriate appointments.
- There was a shortage of Officers available for Company Directorships regardless of subject matter experts.
- There were several areas where Officers could not be nominated e.g. Legal Officers could not be placed onto Company Boards or Trusts as they would be providing advice to the Council which would create a conflict.
- A number of Finance Officers had been appointed to Directorships however, within the Finance area there was a limited number of permanent staff Grade 7 and above and this was causing difficulties.
- An expert could be placed on a Company Board however, the expert would not be able to advise the Council when certain discussions took place.
- Proposal - A paper to go to Corporate Leadership Team (CLT), to create a list of eligible Officers together noting their skill set and expertise. This would be a list of Officers available for company Directorship nominees.
- Officers would confirm if they wish to take up the proposed role.
- Training would be provided to all appointees via an online solution which was being explored.
- On occasion, there would be a need to appoint a paid Director from the Council to sit on Company Boards e.g. similar to Birmingham Airport where a subject matter expert is on the Board. Another example of the NEC was given, where a pensions expert represented the Council on the Trust, together with the Council Trustee. It was noted these arrangements worked extremely well and gave assurances the Council was adding value with its Directorships and Trustees.
- A question was raised if Members had a list based on skills, interest and expertise whilst preparation took place for Company Directorships or appointments. Member groups were smaller and there was an ongoing question around bringing external paid Directors on board.

The Head of Law – Commercial, Procurement, Privacy & Information made additional points on this item:

Cabinet Committee GCG – 14 January 2021

- One of the Directors will be resigning from a Company Board due to onerous demands and pressures from additional Council duties. The Member concerned had provided feedback and commented that he hadn't appreciated prior to taking on the role how much time this would demand. The Company concerned had expressed its gratitude to the Member whose expertise they had valued. In addition, the Company would like the Member to be replaced with someone equally skilled.
- Board meetings vary from meeting monthly to meeting on an annual basis. Monthly meetings require more preparation than yearly meetings. Directorships demand a lot of time to read; prepare documents; read minutes to ensure they are a true and accurate record; note resolutions and act between meetings etc. The knowledge and skill required was of a high standard, therefore careful consideration had to be made to appointments. It was noted both Member appointments and Officers Directorship duties were very demanding. This required a lot of commitment outside of working hours.
- There were Members who had full time jobs and were taking the additional responsibility outside of their working hours plus their Council duties.
- A discussion had taken place with the Chair of the Chamber of Commerce whom had previously assisted with Non-Executive Directors for the Council and advised the following options:

Options suggested:

- 1) To consider payments where warranted or demanded. If Members/ Officers wish to provide a free service that would be an individual decision.
- 2) Companies could remunerate the Directors if there was a policy in place that permits this to occur.
- 3) Consider drawing up a list of demanding roles - where a specific expertise was required or where Directorships were very demanding, in order to remunerate accordingly.

The Assistant Director, Commercial and Development informed Members this was an opportunity to seek Members views on this area.

Members response

- Councillor Chatfield made the following suggestions;

Companies that were onerous and require a high degree of skill and commitment from a Director to consider bringing in external specialist experts. It was important these Directors could actively support the Company to improve and to sustain its business. There were concerns around Councillors and Officers who had less expertise and knowledge in specialist areas. Therefore, it may be necessary to pay Members to recognise the commitment required for larger Companies as they require more time.

Payments to Officers was noted as a difficult territory i.e. questioned if this should be a part of their normal responsibilities and contracted arrangements. He noted Senior Officers were already well remunerated for their time therefore this should be a part of their role/responsibility. If Officers struggled with the appointment to a Board then paid expertise may need to be brought in.

The Assistant Director, Commercial and Development noted comments made by Councillor Chatfield.

- Councillor Moore suggested he would need a wider discussion with his Group on this area. He agreed with some of the suggestions made by Councillor Chatfield in respect of appointing paid Directors where required however, he had concerns to the quality of the work that had been produced previously by Consultants. He added any outside opinion had to be of quality to assist the organisation.

In terms of payments to Directors, he suggested this should be consistent for both Officers and Members. However, he noted Senior Officers who were appointed by the Council were already well paid and this should be considered as part of their job.

He questioned where the cost for the payment would come from i.e. from the Council or individual organisations as it may be feasible to remunerate in some instances but not in others.

In addition, he noted the shortage of Council Officers therefore suggested to possibly explore across the Council. An example of the School Governors was given where a skills audit was undertaken to make appointments. This could be a great opportunity to gain Board experience as part of career development.

In response to Councillor Moore's comments, the Assistant Director, Commercial and Development suggested Members payments could be made against the size, complexity of the company and work involved. The Company could make direct payment based on an attendance allowance. This would have to be explored further.

- The Chair noted latter suggestions made by the Assistant Director, Commercial and Development and proposed for a discussion to take place with the Independent Remuneration Committee to seek their views on how Councillor's remuneration worked i.e. Base Allowance; Special Responsibility Allowance (SRA); Remuneration for other public outside bodies and to see where the cost would be met. Officers were on different pay scales; therefore, the Council or Company could possibly pay them directly.

The Chair suggested a discussion to take place with the Independent Remuneration Committee to see if this should be factored as an extra SRA or as part of basic duties for Councillors. It was important to consider the reason

for the appointments i.e. expertise around public knowledge of how the Council operates or how the companies are delivered.

6

RESOLVED:-

That the Committee;

- i) Agreed to approach the Chair of the Independent Remuneration Panel to discuss options related to Councillors allowances.
- ii) Agreed for a paper to go to Corporate Leadership Team to include a list of eligible Officers together with their skill set and expertise.
- iii) A progress paper to come back to the Committee including updates provided from the Independent Remuneration Committee and Corporate Leadership Team.

BIRMINGHAM VENTURE CAPITAL (BVC) LIMITED – THE POSTAL SERVICE COMPANY - PEN POTRAIT – PUBLIC

The following report of the Assistant Director, Commercial and Development was submitted:-

(See document No.2)

The Assistant Director Commercial and Development informed the Members the paper provided background information to the company. Following discussions with the Chair, it had been suggested to bring some smaller companies to the Committee for Members to obtain more detail around the Council's portfolio.

She highlighted BVC Limited was a historic name which was originally set up to undertake venture capital business support and this was a part of a wider group. BVC Ltd was repurposed in 2014 to provide a corporate structure for private sector trading of the Council's postal contract. The group of companies was simplified, de-coupling BVC Ltd. She highlighted BVC Ltd had some excellent contracts in place.

The Corporate Digital Mail Centre had a range of services which had been very useful during the Covid pandemic. BVC Ltd was running within the premises and using the team at the Corporate Digital Mail Centre, which was itself a service within the Digital and Customer Services Directorate. The use of the premises, staff and resources by the company was paid for as a trading cost by the company.

Further details would be provided on the private agenda via Karen Price, Director of BVC and Operations Manager, Corporate Digital Mail Centre - BCC.

No further comments were made by the Committee Members.

RESOLVED:-

- 7 Members noted the information provided.
-

DATE OF NEXT MEETING

- 8 The next meeting is scheduled to take place on Thursday 18 March 2021 at 1400 hours via on-line meeting.
-

OTHER URGENT BUSINESS

- 9 There was no urgent business to consider.
-

EXCLUSION OF THE PUBLIC

RESOLVED:-

- 10 That, in view of the sensitive nature of the discussion due to take place relating to Companies update and Birmingham Venture Capital (BVC) Limited – The Postal Service Company, the public be now excluded from the meeting.
-