

BIRMINGHAM CITY COUNCIL

CABINET COMMITTEE – GROUP COMPANY GOVERNANCE

Thursday 21 September 2023 at 1300
hours Committee Room 2, Council
House

Attendance:

Councillors Sharon Thompson (Chair), Liz Clements and Brigid Jones

Observers: Councillor Gareth Moore

Also in Attendance:

Guy Olivant	Major Development Lead, Group and Capital Finance
Connie Price	Head of Law, Commercial, Procurement, Privacy & Information
Georgina Dean	Solicitor, Legal Services
Mandeep Marwaha	Committee Services

1 NOTICE OF RECORDING/WEBCAST

The Chair advised that this meeting will be webcast for live or subsequent broadcast via the Council's Public-I microsite ([please click this link](#)) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

APOLOGIES

2 There were no apologies submitted.

DECLARATIONS OF INTERESTS

3 Councillor Jones declared she was a Board Director for Birmingham Airport. This was raised later during the private meeting however noted on the public set of notes.

PUBLIC NOTES OF THE LAST MEETING – 12 JULY 2023

4 The public notes of the 12 July 2023 were agreed at this meeting and there were no matters arising.

SECTION 114 NOTICE

The Chair reminded the Committee that the Section 151 Officer, Fiona Greenway, had issued a section 114 notice. A further section 114 notice and section 5 notice had been issued in relation to the Council's finances. City Council was scheduled to meet on the 25 September 2023 to consider the notices issued.

The Chair requested for officers to ensure the companies linked to the council be contacted and notified of anything that they had to take into consideration due to the notices.

The Cabinet Member for Finance & Resources, Councillor Jones sought assurances that contact had been made to the councils group companies as the first section 114 notice referred to the spend controls. This notice specifically related to the group companies and areas where funding was applied for. It was noted, assurances were sought around if companies had been contacted and advised of any legal duties placed upon them.

In response, the Head of Law, Commercial, Procurement, Privacy & Information informed that some of the group companies had already been contacted. Statements and communications were being prepared. There are various categories of companies and letters were being tailored accordingly. The Chair requested for an update to be provided by the next meeting as to the current position of the communications to the companies.

Councillor Moore was disappointed the update on this item was verbal and information around the impact of the section 114 notice on companies had not been shared. He suggested a rapid desktop exercise should be undertaken to get an overview of the financial implications for the organisation. Detailed financial breakdown/information, funding loans, had to be shared with the committee.

The Cabinet Member for Finance and Resources requested details of when each company had been contacted and reasons for any delay to be shared by the next meeting.

The Chair would flag the concerns around communications to group companies with the Chief Executive.

Upon consideration, it was;

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RESOLVED:-

- (i) Noted the verbal update on the Section 114 Notice;
- (ii) Agreed that Birmingham City Council officers (S151 officer) will contact the Group Companies outlining any obligations that may be placed upon them following the Section 114 Notice;

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- (iii) Agreed for information on the financial impact on the Group Companies to be provided to the Committee; and
 - (iv) Agreed for the Committee to be informed via email that recommendation (ii) had been completed by the Finance and Legal Teams.
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COMPANY UPDATE

The following report of the Interim Director of Finance, S151 Officer was submitted:-

(See document No. 1 of the agenda pack)

The Major Development Lead, Group and Capital Finance gave an overview of the latest changes made across the Council's portfolio of companies since the last meeting.

There were seven changes to appointments within companies that had been notified to Companies House since the previous Committee meeting. The private agenda contained the details of confidential updates.

Only a few statutory annual accounts had been submitted. There were companies who were exempt from submitting their accounts or had their accounts audited with unqualified opinions.

Members were notified there were three companies listed with the 'emphasis of matter' within the External Auditors report. This was related to the Schools PFI. However, they did not constitute for a qualification on the accounts but this was drawn to the attention of the council as the shareholder to be mindful of.

Work was being undertaken with the service areas to respond to the concerns raised. These risks were identified as something that 'could' happen but not as something that 'had' happened.

Councillor Moore raised queries around Oracle and the impact of this on the accounts. He queried if there had been a response from the Directors in relation to concerns raised and when would the update and key information be shared with the Committee given the councils wider financial situation.

In response, the Major Development Lead, Group and Capital Finance informed most of the council's subsidiary companies did not use Oracle. Majority of the companies had their own systems with control environments. It was noted that the three companies referred may not have been using Oracle however officers would confirm this for the next meeting. A response from the Directors was being sought and these updates would be provided to the Committee.

No further questions were raised by members.

6 **RESOLVED: -**

- (i) That the Cabinet Committee Group Company Governance Committee noted the information provided within the report and at private appendix 1 which contained commercially confidential details concerning associated companies.
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TRAINING UPDATE

The Head of Law, Commercial, Procurement, Privacy & Information provided a verbal update on training.

Board Effectiveness Training – Of the 42 invitees which included members and officers, approximately 15 invitees attended. There were several late apologies.

Out of the 15 attendees, it was noted 5 of the attendees were members, 9 were officers and there was an External Director of one of the Companies in attendance. All the attendees indicated the training was helpful and had increased their understanding of Board Effectiveness. 11 of the attendees indicated they would be placing elements of the learning into practice at future Board meetings. Overall, the training was rated as good/excellent by attendees.

Other areas such as pitfalls, looking at real life case studies, going through Business Plans would be useful for future sessions. This had been provided in the past however, not as part of this training session. The Chair had noted feedback and added attendees found this useful. She requested for another session to be arranged for those who could not attend and encouraged all members to participate.

Councillor Jones attended the training session and found this valuable however, there were concerns around the low level of attendees. Company Directors had to understand the serious duties that they had to fulfil. In addition, Company Directors may be unaware the level of risk they were exposing themselves to. Officers would ensure the training session would be repeated.

7 **RESOLVED: -**

- (i) That the Cabinet Committee Group Company Governance Committee noted the verbal update on training.
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INREACH (BIRMINGHAM) LIMITED – PEN PORTRAIT (PUBLIC)

The following report of the Interim Director of Finance, S151 Officer was submitted:-

(See document No. 2 of the agenda pack)

The Major Development Lead, Group and Capital Finance gave an overview of the report. He informed members he was one of the two Directors of the

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company. Further detailed information on the company would be provided on the private agenda.

InReach had one development in Ladywood consisting of a block of 1- and 2-bedroom apartments. This development was very popular and currently at 100% occupancy with very little rent issues.

The Statutory accounts for 31st March 2023 indicated the company made a substantial profit enabling the loan repayments to be made to the Council. No issues or concerns were raised by the Auditors.

Councillor Clements queried in relation to the Ladywood Scheme - Embankment and if these were at market rental. The Committee were informed these properties were at full market rent.

Councillor Moore queried when InReach was set up and if there were any loans from the Council to assist with the delivery and if this had been repaid. He queried the value of the loan.

In response, members were informed, the original funding was based on a loan from the council (Equity Investment) and InReach had commenced the repayments against the loan. It was noted, the loan would not be fully repaid for 35 plus years. The loan was secured to the value of the property which exceeded the amount owed to the council. The loan was for around £12 million.

No further questions were raised.

8 **RESOLVED: -**

- (i) That the Cabinet Committee Group Company Governance Committee noted the information on InReach (Birmingham) Limited provided within the report.

DATE OF THE NEXT MEETING

- 9 The next meeting is scheduled for Thursday 16 November 2023 at 1400 hours.

10 **OTHER URGENT BUSINESS**

There was no urgent business to consider.

EXCLUSION OF THE PUBLIC

RESOLVED:-

- 11 That, in view of the sensitive nature of the discussion due to take place relating to InReach (Birmingham) Limited and company updates, the public be now excluded from the meeting.