

BIRMINGHAM CITY COUNCIL

CABINET COMMITTEE - GROUP COMPANY GOVERNANCE

THURSDAY, 25 JANUARY 2024 AT 14:00 HOURS
IN COMMITTEE ROOM 2, COUNCIL HOUSE, VICTORIA SQUARE,
BIRMINGHAM, B1 1BB

A G E N D A

1 NOTICE OF RECORDING/WEBCAST

The Chair to advise/meeting to note 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.

2 APOLOGIES

To receive any apologies.

3 DECLARATIONS OF INTERESTS

Members are reminded they must declare all relevant pecuniary and other registerable interests arising from any business to be discussed at this meeting.

If a disclosable pecuniary interest is declared a Member must not participate in any discussion or vote on the matter and must not remain in the room unless they have been granted a dispensation.

If other registerable interests are declared a Member may speak on the matter only if members of the public are allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless they have been granted a dispensation.

If it is a 'sensitive interest', Members do not have to disclose the nature of the interest, just that they have an interest.

Information on the Local Government Association's Model Councillor Code of Conduct is set out via <http://bit.ly/3WtGQnN>. This includes, at Appendix 1, an interests flowchart which provides a simple guide to declaring interests at meetings.

- 5 - 16** 4 **PUBLIC NOTES OF THE LAST MEETING – 16 NOVEMBER 2023**
Notes of the meeting to be confirmed.
- 17 - 18** 5 **COMMISSIONER'S REVIEW AND COMMENTS ON THE AGENDA**
To note the attached comments from the Commissioner.
- 19 - 36** 6 **GROUP GOVERNANCE AND STRATEGIC REVIEW**
Report of the Interim Director of Finance, s151 Officer
- 37 - 40** 7 **UPDATE ON THE REVIEW AND RATIONALISATION OF GROUP COMPANIES (RESPONSE TO SECTION 114 NOTICE)**
Report of the Interim Director of Finance, s151 Officer
- 41 - 54** 8 **COMPANY UPDATE**
Report of the Interim Director of Finance, s151 Officer
- 55 - 58** 9 **B:MUSIC - PEN PORTRAIT**
Report of the Interim Director of Finance, s151 Officer
- 10 **DATE OF THE NEXT MEETING**
The next Meeting is scheduled on Thursday 14 March 2024 at 1400 hours.
- 11 **OTHER URGENT BUSINESS**
To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chair are matters of urgency.
- 12 **EXCLUSION OF THE PUBLIC**
That in view of the nature of the business to be transacted which includes exempt information of the category indicated the public be now excluded from the meeting:-

Exempt Paragraph 3

PRIVATE AGENDA

13 **B: MUSIC (PRIVATE)**

Item Description

14 **PRIVATE NOTES OF THE LAST MEETING – 16 NOVEMBER 2023**

Item Description

15 **UPDATE ON THE REVIEW AND RATIONALISATION OF GROUP COMPANIES (RESPONSE TO SECTION 114 NOTICE) (PRIVATE)**

Item Description

16 **COMPANY UPDATE - PRIVATE**

Item Description

17 **OTHER URGENT BUSINESS (EXEMPT INFORMATION)**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chair are matters of urgency.

BIRMINGHAM CITY COUNCIL

CABINET COMMITTEE – GROUP COMPANY GOVERNANCE

Thursday 16 November 2023 at 1400
hours Committee Room 2, Council
House

Attendance:

Councillors Liz Clements (Chair) and Brigid Jones

Councillor Majid Mahmood (in attendance as a substitute)

Observers: Councillors Roger Harmer and Gareth Moore

Also in Attendance:

Alison Jarrett	Director Group and Capital Finance, Deputy S151 Officer
Connie Price	Head of Law, Commercial, Procurement, Privacy & Information
Georgina Dean	Solicitor, Legal Services
Andy Couldrick	Chief Executive, Birmingham Children's Trust
Andrew Christie	Chair of Birmingham Children's Trust
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 Apologies were submitted by the Deputy Leader, Councillor Sharon Thompson for her inability to attend. In consultation with the Deputy Leader and the Committee, in advance of this meeting, it had been agreed for Councillor Clements to Chair this meeting.

In addition, Councillor Majid Mahmood (Cabinet Member) was in attendance as a substitute for Councillor Thompson to ensure the meeting remained quorate.

DECLARATIONS OF INTERESTS

- 3 Councillor Moore declared he was a trustee on the Birmingham Citizens Advice indicated on item 6 on the agenda.

Councillor Jones declared she was a Director for Birmingham Airport and Colmore BID.

Councillor Clements (Chair) declared she was a Trustee for Birmingham Symphony Orchestra.

During the discussions for item 7 – Company updates on the agenda, the Director Group and Capital Finance, Deputy S151 Officer declared she was a Director on Birmingham City Propco Limited.

PUBLIC NOTES OF THE LAST MEETING – 21 SEPTEMBER 2023

- 4 The public notes of the 21 September 2023 were agreed at this meeting.

Councillor Mahmood questioned if the Board Effectiveness Training should be open to all members in order for Councillors to understand their legal responsibilities. It was highlighted some Members are placed on Boards as a substitute at short notice.

In addition, reference was made to InReach (Birmingham) Limited and the leverage on the repayment on the loan. This was noted as 35 years.

Finally, it was queried when companies (that BCC had a shareholder interest) were contacted on the Section 114 Notice and was there a reason for the delays.

In response, the Head of Law, Commercial, Procurement, Privacy & Information agreed to open the Board Effectiveness Training to all members of the Council.

The Director Group and Capital Finance, Deputy S151 Officer referred to the action from the previous meeting in September 2023, to contact companies to communicate with the companies. InReach (Birmingham) had been contacted via a formal letter. Letters had been sent to companies where BCC had a financial control (i.e. above 20% control). The Business Improvement Districts (BIDS) would be contacted separately.

COMMISSIONER'S REVIEW AND COMMENTS ON THE AGENDA

The following document from the Commissioner was submitted:

(See document No.1 of the agenda pack)

The Commissioner's Review was read out by the Chair. It stated:

“Local Partnerships publish a very useful statement and checklist of best practice on the justification for and management of local authority companies. It is clear that the Council does not fully comply with this. The Committee should require a report to its next meeting on a company by company basis setting out how it is recommended to comply with this guidance. In particular, the

Committee will need to carefully consider conflicts of interest issues which will require replacements of both members and officer Directors. The Committee should also require a review of each company with a view to striking off or liquidating dormant and non-viable companies so as to reduce the management and financial risks.

The Children’s Trust business plan, in particular, suggests that they will want to have access to the Councils capital programme. It is clearly not possible at the current moment to give any undertaking that such an allocation will be forthcoming. Until there is clarity about the council’s ability to deliver a balanced budget in February next year there can be no guarantee that any capital programme schemes, not funded 100% by external sources, can be included.”

The Committee noted the points raised by the Commissioner. The Chair was pleased to see the Local Authority Company Review Guidance had been referred to in the report on the agenda.

Councillor Jones referred to previous work undertaken by the Committee. This looked at issues that had occurred in other local authorities such as Liverpool, Nottingham, Croydon etc. The reviews and recommendations for other local authorities had been explored by the Committee to ensure Birmingham avoided repeating these issues. Members were assured some work had taken place to comply with best practice however, further work was required to strengthen this. In addition, striking off dormant companies, winding down smaller companies and pension liability etc had been considered previously by the Committee.

Prior to the meeting, the Chair had requested for the most recent guidance on the Local Authority Company Review Guidance to be circulated to Members of the Committee. Members had received this in advance of this meeting.

Councillor Moore raised concerns as to why Birmingham was not compliant to the requirements prior to the Commissioners comments and review on the agenda. The Chair referred to the previous work that had already taken place however, further work had to be done against the benchmark set out. Updates on the improvement journey would be shared at future meetings. The Director of Group & Capital Finance (Deputy Section 151 Officer) gave details on the previous work undertaken by the Committee. Further work had taken place with CIPFA. A detailed plan would be shared at the next meeting.

Conflicts of interests and skills of Members of the Board was an area which was currently being reviewed. The change in Board membership would take place gradually as there was a number of factors to consider before any changes took place i.e. Annual reports submissions for the companies.

The Chair highlighted the role of the Committee would need to be looked at as the items that come to the meetings are mainly for noting.

Councillor Harmer noted conflicts of interests for officers was being looked at however, he queried if the same consideration had been taken for Councillors. There were organisations within Wards which appointed Members. Careful consideration had to be taken on Member appointments as some of the organisations objectives indicated a Ward Member to be appointed. The Committee were informed that each year an Annual Appointments list is produced. Discussions were currently taking place and recommendations would be brought back to the Committee.

Councillor Mahmood suggested officers should explore what other Councils, Local Authorities had in place.

The Local Authority Company Review Guidance would be reviewed by officers and ongoing discussions would take place with the Commissioners. The analysis of the work would be shared with the Committee.

Councillor Jones proposed an audit of the appointments across the board should be undertaken including small organisations, charities, external bodies etc as a number of these appointments were based on a condition of grant aid. A review within the area was required.

Furthermore, Councillor Moore suggested the views of the organisations should also be considered whilst undertaking reviews on appointments due to the expertise, knowledge contributions made by Members already appointed.

Upon consideration, it was;

5 RESOLVED:-

The Cabinet Committee Group Company Governance;

- (i) Noted the Commissioner's review and comments on the agenda and;
- (ii) Noted the reference to Local Partnership's Guidance on Local Authority Companies and agreed that the Director Group & Capital Finance, Deputy s151 officer will provide a detailed plan at the next meeting setting out proposals of how the Council will implement recommendations contained within this guidance.

REVIEW AND RATIONALISATION OF GROUP COMPANIES (RESPONSE TO SECTION 114 NOTICE)

The following report of the Director of Group & Capital Finance (Deputy Section 151 Officer) was submitted:-

(See document No.2 of the agenda pack)

Cabinet Committee GCG – 16 November 2023

The Director of Group & Capital Finance (Deputy Section 151 Officer) made introductory comments. Members were informed the report introduced a short presentation at Appendix 1. The presentation indicates the number of company entities that the council was connected to and how that breaks down into categories. The report provided an overview and update for Members of the Committee.

Appendix 1, the presentation gave an overview on the group and related entities (there was 239 entities); actively trading or operating companies (there was 164 companies); Active companies with a financial connection (shares/assets) – and number in the group; a list of companies with a significant interest (less than 20%) and a list of companies with a significant interest (more than 20%). It was highlighted not all the accounts for the companies had been submitted.

The Chair queried on the UK Municipal Bonds Agency PLC and what was happening with this company as the primary aim was to reduce the local authority finance costs. In response, the Director of Group & Capital Finance (Deputy Section 151 Officer) informed Members this was set up initially as a national bonds agency for local authorities to borrow and to lend to each other.

It was queried if timescales would be listed against dormant companies. This was currently being work upon. The closure of dormant companies had costs associated with them therefore these were being closed down gradually - HMRC checks had to be undertaken. In January, an update will be shared with the Committee on which companies have been closed so far. Members of the Committee were keen to see the progress made on this area. The Head of Law provided further information around Dormant companies and the reason for keeping these in place.

Concerns were raised by Councillor Moore on companies with significant interest of more than 20% where the in-year performance for several of the companies were at a loss. This was concerning due to the Council's current financial position. It was questioned why the companies were at loss and what had been done to rectify this. In addition, it was queried companies with significant interest less than 20%, e.g. Eyoto Group Limited, Birmingham had 3% share, why there was a large liability attached to this.

In response, the Director of Group & Capital Finance (Deputy Section 151 Officer) explained this was the year ending 2022 for majority of the companies. The final accounts for 2022-23 were currently being filed. Individual reports for the companies would have to be investigated to check why the companies were at a loss. Further details and breakdown around this area was shared with the Committee. Eyoto Group Limited was a high-tech investment company. The liability was due to where the stage of the company was. The net liability was expected in high tech and startup companies. A further breakdown to the setup of this company was provided to the Committee.

Further queries were raised by Councillor Mahmood on the accounting dates for companies that BCC had more than 20% interest as some dates

were for this year and others for last year. It was also noted that the land that Birmingham Wheels was based upon was still owned by the Council and Councillor Mahmood reassured Members this was the case though it indicated the company was in liquidation. In relation to setting up new companies, Members sought to know if there were any restrictions on doing this?

Members were informed that where there was an accounting date of March 2022, the company had 9 months to file their accounts hence, currently the old dates were listed within the presentation.

Birmingham Wheels, Members were assured the reference in the document was related to the company and not the land. There were complexities associated with this company therefore, external advice had been sought to close the company. There was no specialist expertise within BCC (inhouse) to resolve certain issues associated with the companies, therefore external resource was reverted to e.g. PWC for tax advice. Relevant spends were coming to the Spend Control Board. BIDS were not constrained however, they would be monitored through the Committee for Governance.

Upon consideration, it was;

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RESOLVED: -

The Cabinet Committee Group Company Governance;

- (i) Noted the information provided within the report and at appendix 1 of the report; and
- (ii) An update on the Review and Rationalisation on Group Companies to be reported at the next meeting.

COMPANY UPDATE

The following report of the Director of Group & Capital Finance (Deputy Section 151 Officer) was submitted:-

(See document No.3 of the agenda pack)

The Director of Group & Capital Finance (Deputy Section 151 Officer) gave an overview of the latest changes made across the Council's portfolio of companies since the last meeting. The private agenda contained the details of confidential updates.

There were one key changes to appointments within companies that had been notified to Companies House since the previous Committee meeting which was listed within the report.

Point 3.3 of the report listed the companies that had filed their statutory annual accounts. Members were notified not all the companies (small) require an audit

and are exempt from submitting their accounts or had their accounts audited with unqualified opinions. It was highlighted that Birmingham Airport come under a consolidated list of companies.

Reference was made to the Audit Report for the Birmingham Schools, where the auditors had brought to the attention that risks may arise therefore, the accounts were not qualified. This was not qualified due to the risks around the conflicts of interests. It was questioned if the member of the Council was conflicted in the Director role. Assurances was provided by the Director that the work on the company was separate to her role in the Council however, this would be looked at again through the review work taking place within the Committee.

Councillor Moore referred to Acivico Limited where two of the three vacancies were vacant. This was concerning as this was one of the Councils largest companies. The appointments were queried by Members.

Further questions were raised around Birmingham City Propco Limited and the issue around invoicing of the hotels which had been affected by Oracle (ERP system).

In response, the Head of Law indicated there was a plan in place to replace the two vacant posts. Acivico Limited had specifically requested for subject matter expert appointees for at least one of the posts therefore, external advert would be considered as there was not a full quota currently on the board. Further explanation on the invoicing was provided by the Director of Group & Capital Finance (Deputy Section 151Officer).

At this juncture, the Director of Group & Capital Finance (Deputy Section 151Officer) declared an interest as a Director on Birmingham City Propco Limited. Details around the invoices being issued by this company and work taking place within the Oracle Team was shared with Members.

Further questions around Birmingham City Propco Limited and insufficient turnover to cover loan repayments and management and the work undertaken on the reprofiling was raised. In relation to, Birmingham Museums Trust (BMT), it was questioned if discussions had taken place around the condition of the estate and costs associated.

It was important to ensure Birmingham City Propco Limited do not go into negative resource, and this was being explored. The reprofiling is also being reviewed.

Birmingham Museums Trust could be invited to a future date to provide more details. The Head of Law suggested Property Services share information with the Committee ahead of inviting BMT to understand the current position on this.

Members were reminded by Councillor Jones that Acivico Limited paid their non-council trustees and the Council trustees were not paid. Remuneration for Councillors had been raised historically in Committee.

Upon consideration, it was;

7 **RESOLVED: -**

The Cabinet Committee Group Company Governance noted the information provided within the report and at private appendix 1 which contained commercially confidential details concerning group and associated companies.

BIRMINGHAM CHILDREN’S TRUST – PEN PORTRAIT (PUBLIC)

The following report of the Director for Children’s Services was submitted:-

(See document No. 4 of the agenda pack)

The Director of Group & Capital Finance (Deputy Section 151 Officer gave an overview of the pen portrait for the Birmingham Children’s Trust (BCT).

At 1458 hours, Councillor Jones left the room.

Councillor Mahmood referred to the Commissioners comments and conflicts of interests. Questions were raised around the Directors on the Trust as there were some who were on Charities etc. There was a potential issue that there maybe services that were procured through the Trust. This would need to be considered in the future with the Finance Director on the Trust.

Councillor Moore referred to previous discussions on the Articles of Association for BCT and the compliance. He queried if the issues had now been resolved.

At 1505 hours, Councillor Jones returned to the meeting.

The Chief Executive (BCT) informed members this was the sixth Business Plan shared with the Committee. Key introductory points made;

- In March 2023 the Trust was inspected by Ofsted and as a result social care services in Birmingham are now judged to be Good.
- In March 2023 Birmingham City Council decided that rather than enact the second five-year term of the contract they would instead agree a new 10 year contract term.
- In May 2023 the DfE lifted the statutory direction meaning that children’s social care and family support services are no longer subject to Government intervention.

This was due to the exemplary leadership and management, and with the commitment of every single member of the Trust team.

It was noted BCT had been asked by the Solihull Council to improve their services. This had been commissioned by the DfE. Both the Commissioners and the Department are very pleased with the work undertaken.

An in-depth overview was provided on the following areas of the Business Plan; BCT 2023 – Vision and Values; Key Developments for 2023/24; Review of the Short Breaks Offer was a key priority; Strategic Context for the Children’s Trust; Trust Priorities 2023/24 and Beyond; Performance; Governance Arrangements; Trust Services; the People; Trust Financial Position and Budget; The Children’s Trust and the Council and Managing Risk.

Members were informed on 15 December 2023, the current Chair of BCT was due to retire. In addition, the current Chief Executive (BCT) would be retiring as the Chief Executive for BCT, however, he would then be appointed as the Chair of BCT. James Thomas had been appointed as the new Chief Executive for BCT.

The Chair of BCT referred to the trajectory of improvement journey across the country. It was highlighted it was crucial to ensure the gains for BCT e.g. ‘Good’ ratings remained in place. Members were reassured the leadership of BCT had been thought out carefully.

Tributes were made to colleagues on the BCT Board for their contributions. Upon the establishment of the BCT Board, it was important to ensure the appointments were well connected within the City and brought relevant skills and knowledge to the Board.

The Chair of BCT made tribute to the excellent work the current Chief Executive (BCT) had made over the years. This was recognised as central to the success of BCT.

The Chair congratulated on the new appointments made within BCT. Reference was made to the Commissioners comments BCT and the Council’s Capital Programme.

In response, Chief Executive (BCT) informed Members, BCT’s Business Plan was written before the Section 114 Notice and the appointment of the Commissioners. The cost of care was highlighted as one of the biggest challenges for Children Services as the care provided was mainly in the independent sector and extremely expensive therefore, the development of a Residential Provision was being explored. Details around this was shared. The Chair for BCT felt careful analysis of the Business Case had to be considered.

Councillor Harmer referred to the Finance Commissioner Board meeting highlighted the Council was looking to sell a number of their property assets which could be useful for BCT.

The Council’s Capital Programme could possibly allow BCT to purchase properties or give properties to BCT. BCT were not allowed to own properties as a Community Interest, therefore Childrens Home properties belong to the Council. The demand for Children’s Care was constantly growing.

Councillor Moore questioned if reopening children’s homes was a sensible idea and what assurances were available to avoid them becoming unsafe again.

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Assurances were sought on how to avoid BCT getting into deficit again in future years (i.e. a constant recurring problem).

In response, Chief Executive (BCT) highlighted the Care Model was different to the previous version. Smaller properties would be sought with no more than three children placed in them. These would be children with high levels of need and complexity. Further details and discussions took place around children in care. Unaccompanied children seeking asylum had increased in the City however, the rate of care in Birmingham was lower than other Core Cities.

An increase of 6% of children in care had been projected for the year therefore, anything more than or less than 6% would affect the tolerance of the Business Plan. Some of the care for children were very large due to the lack of secured facilities within Birmingham.

The Chair of BCT added BCT were reviewing the options to meet the care demand. Details around this was shared with the Committee.

Further explanation was provided on the support on adoption and adoption agencies. There were approximately 100 adoptions taking place per year. Regional Adoption agency was set up in partnership with a voluntary agency. Details around Child Protection Plans was shared with Members. They had been stable however; they would increase over time. There was a rise in demand for children in care places and this was possibly due to the impact of the pandemic on both children and parents. However, the key drivers and demand for the services, referrals were around domestic abuse; substance misuse and parental and children's mental health. In addition, deprivation, poverty were other factors affecting the demand on the services.

The governance arrangements for the adoption agency were queried and the relationship to BCC. Members were informed this was a partnership arrangement underpinned by a formal agreement. A summary was provided by the Chair of BCT. This would be reviewed in the future.

At 1545 hours, Councillor Harmer left the meeting.

Councillor Jones acknowledged the change in leadership and with the movement from the Chief Executive role to a Chair role. It was felt this was a sound governance decision which was endorsed by the BCT board. The Committee formally thanked both the Chair and Chief Executive of BCT for their contributions.

Upon consideration, it was;

8

RESOLVED: -

That the Cabinet Committee Group Company Governance Committee;

- (i) Noted the information in this report;
- (ii) Noted the information contained within the Pen Portrait at Appendix 1 of the report; and

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- (iii) Reviewed and endorsed the Business Plan for the Birmingham Children’s Trust CIC as attached at Appendix 2 of the report.
-

DATE OF THE NEXT MEETING

- 9 The next meeting is scheduled for Thursday 25 January 2024 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 Birmingham Children’s Trust and Company updates, the public be now excluded from the meeting.
-

Birmingham City Council
Cabinet Committee – Group Company Governance
25 January 2024



Commissioner Review

Item 6 - Group Governance & Strategic Review

The recommendations to undertake the reviews and appoint an additional shareholder representative are supported. A clear timetable for the completion and report back on each company should be established based on turnover and risk.

**Item 7 - Update on the Review and Rationalisation of the Group Companies
(Response to Section 114 Notice)**

Commissioners have noted the progress being made.

Item 8 - Company Update

Commissioners support the recommendations in this report.

Item 9 – B: Music - Pen Portrait

Cleared with no comment.

Item 16 – Company Update (Private)

Comments from the Commissioner have been set out under item 16 as an exempt paper.

Birmingham City Council

Report to Cabinet Committee – Group Company Governance

25 January 2024



Subject: Group Governance and Strategic Review

Report of: Fiona Greenway, Interim Director of Finance, s151 Officer

Report author: Alison Jarrett Director Group & Capital Finance

Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :

1 Executive Summary

- 1.1 The report outlines a proposal to use the recently published Local Authority Company Review Guidance - A toolkit for undertaking strategic and governance reviews of wholly or partly owned council commercial entities – 2023 edition – as a comparison tool for existing governance and practises across the BCC Group portfolio. Arising from this review is a series of recommendations and improvements to bring the council in line with best practice.
- 1.2 Recommendations are made for the Committee to oversee a programme of review, compliance and improvement across the council, authorising officers to take action between meetings to effect these initiatives in consultation with the Cabinet Member for Finance and Resources.

2 Recommendation(s)

Cabinet Committee Group Company Governance are asked to:

- 2.1 Note the information provided within the report and at appendix 1 which provides the basis for a governance process review and improvement programme.
- 2.2 Continue to undertake annual review of the Committee Terms of Reference, the consequent scope and relevant parts of the Constitution.
- 2.3 Authorise officers to recommend and make such changes as are required to the Constitution and the operational process to effect improved group governance noting that where these are required to be effected or delivered outside of the

Committee meeting cycle then such decisions and actions will be in consultation with the relevant portfolio holder.

- 2.4 Endorse the extension of shareholder representation posts to include the Director of Group and Capital Finance, Deputy s151, on confirmation that the post-holder is free from conflict of interest.

3 Background

- 3.1 At the Committee's meeting on the 16th November 2023, a report entitled BCC Group Company Overview highlighted that in addition to ongoing work to streamline the group structure through the removal of dormant companies (as appropriate), officers would undertake a review of the existing group governance environment in line with the UK Government Publication, Local Authority Company Review Guidance - A toolkit for undertaking strategic and governance reviews of wholly or partly owned council commercial entities – 2023 edition.
- 3.2 The recommendations of that review are set out in appendix 1 together with a comparison to existing practice and delivery structure within the council and recommendations for change, improvement, or addition.
- 3.3 Part of the review has been to consider the role of the council's shareholder representative. Within the Constitution this role sits with the Chief Executive and the Director of Finance, accordingly neither post is able to hold directorships within the portfolio, they must retain objectivity and are trained and kept informed accordingly. There is in addition a recommendation that these roles meet regularly with group CEOs, attend CC-GCG and are actively up to date with portfolio matters.
- 3.4 The CEO and FD are briefed and informed on the portfolio, and together with the Cabinet Member for Finance and Resources are informed on decision making matters in relation to companies, for example the creation of new entities, sale or purchase of shares. As a result of the size of the current portfolio, and including those entities where there is a minority shareholding or interest, much of these officer roles fall to the Director Group and Capital Finance. Consequently it is recommended that this role also becomes a designated Council Shareholder Representative. If this proposal is endorsed by CC-GCG, this change will be reflected in the Council Constitution. Prior to this change, however, the current postholder will be required to resign from directorships held and appoint alternative officer directors in line with required skills, experiences and characteristics suitable for the company board composition.
- 3.5 The actions and recommendations contained in appendix 1 will require resourcing and a programme of implementation. Directorate officers either appointed or supporting member appointments will be asked to complete a review of their entity, resulting in a detailed action plan.

4 Options considered and Recommended Proposals

- 4.1 As reviews, reports and public interest reports are made concerning company governance processes, and in particular those relating to local authority interests, then it is a requirement of the council to ensure that it is following best practice. Implementation of an improvement plan reduces the risk for the council both financial and reputational that is inherent in a wider group structure. It is recommended that an improvement plan is drawn up from the detail within appendix 1, risk rated and monitored and kept under review. Appendix 2 is the existing annual risk assurance document sent to group companies of over 20% shareholding and which informs the audit assessment for the council. This annual review picks up much of the requirement concerning governance within the entity, however improvements to evidence gathering to support these returns is recommended.

5 Legal Implications

- 5.1 The Council's Section 151 Officer has a duty to ensure the proper administration of the Council's financial affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.

6 Financial Implications

- 6.1 There are no direct financial implications arising from the recommendations within this report apart from the officer resource required to undertake the reviews. Where this may be in excess of existing provision, re-prioritisation or a request for additional resource will be presented to the Director of Finance. Such a request to be considered in the context of the risk rating applied to the relevant piece of work.
- 6.2 Robust governance over the group portfolio is in itself an efficient and economically strong contribution to the management of resources and risk across the council.

7 Public Sector Equality Duty

- 7.1 There are no equality duty or equality analysis issues relating to the proposals set out in this report.

8 Other Implications

8.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 8.1.1 The Council provides services to the community through a number of different vehicles. This report provides information on the management of the risk environment associated with the group entities through which service delivery is being provided

9 Background Papers

- 9.1 Local Authority Company Review Guidance - A toolkit for undertaking strategic and governance reviews of wholly or partly owned council commercial entities – 2023 edition.

10 Appendices

- 10.1 Appendix 1 – taken from the LA Company Review Toolkit
- 10.2 Appendix 2 – informing the audit risk assessment – group accounts preparation document

APPENDIX 1

LOCAL AUTHORITY COMPANY REVIEW GUIDANCE A toolkit for undertaking strategic and governance reviews of wholly or partly owned council commercial entities – 2023 edition			
EVIDENCE		CURRENT CONTROL/PROCESS	RECOMMENDATION
COUNCIL ARRANGMENTS			
GOVERNANCE AIMS			
C1	There should be evidence that the council and senior management recognise the importance of establishing appropriate and proportionate governance arrangements for the oversight of entities	Operation of the CC-GCG - supported by senior officers. Improvements implemented following Public Information Reports in July 2021 Financial Regs - Company Procedures Manual - updated July 2023	Shareholder representative to attend CC-GCG
C2	There should be evidence of a culture of challenge and clarity relating to the purpose, efficiency, effectiveness, specific objectives, and freedoms of the entity	Material entities present to CC-GCG Annual assurance return	Embed forward plan Reiterate structure of presentations
SHAREHOLDER ROLE			
C3	There should be a clearly designated council shareholder role or function which is both understood and recognised by the council and the entity (and documented in terms of reference)	Set within Constitution as Chief Executive and Director of Finance, s151	Expansion to include Director Group & Company Finance, Deputy s151
C4	There should be clarity regarding the role of shareholder, with reserved matters clearly documented and updated as required, reflecting any changes made as the entity has developed, in a shareholder's agreement, or as set out in the company's governing articles of association	Such documents are part of company creation process	Set a cyclical review programme - commence with most material entities

C5	There should be evidence that the individual undertaking the shareholder role is provided with suitable training and support commensurate with the role and is independent of the company. This responsibility may be delegated to a committee rather than an individual. If this is the case, there must be a terms of reference drawn up and a suitable cohort of elected members identified to sit on the committee	Shareholder role sits with Chief Executive and Director of Finance. Both roles are provided with support and training and are independent of the company.	The proposal to increase the representation to a third post will require that postholder to resign from current directorships. This is under managed progress
C6	There should be evidence of formal periodic shareholder/ chair/chief executive meetings with effective supporting papers to inform subsequent company board meetings	Not in place across all entities and where in place these are with the Dir of Group & Capital Finance	Increase shareholder rep to include Dir Group & Company Finance. Expand & formalise meetings across portfolio
COUNCIL OVERSIGHT, SCRUTINY & GOVERNANCE FRAMEWORK			
C7	There should be documented evidence of transparent member and officer scrutiny, oversight, and approval of business plans	Attendance and presentation at CC-GCG	Formalise approval process for wholly owned companies. Document process for significant interest entities - action then as appropriate
C8	There should be evidence of a clear set of KPIs that fall out of the business planning process	Not in place for all entities	Document as an action following business plan approval. [Distinguish between KPIs on contract delivery and KPIs as corporate holding]
C9	There should be evidence that senior company staff are performance managed against KPIs	Not in place	Document process as part of item C6
C10	There should be evidence of ongoing assessment of value for money and quality offered by the entity through an adequately resourced monitoring function	Not in place	Consider appropriate approach across portfolio

C11	There should be ongoing assessment of risks relating to the entity, supported by processes to ensure that risks are managed as part of the council's overall risk management approach, with appropriate escalation and reporting	Risk register in place - overdue for review Individual entity risks previously noted within directorate process	Update risk register - add to forward plan
C12	There should be evidence of a consistent approach across the council when it comes to engaging with its entities	Not captured	Review approaches across council and consider re-introducing engagement template.
C13	The council should have clear and unfettered access to audited accounts for its entities	Provided annually as part of group reporting for material (financial and shareholding) entities Companies House submitted reports reviewed and reported for each CC-GCG meeting	Add to checklist for Shareholder Rep duties
BUSINESS CASE FOR THE ENTITY			
C14	There should be evidence of clear alignment between governance of entities and wider governance of council business by ensuring that issues relating to the performance of entities are integrated into corporate risk management, performance management and governance reviews as well as financial and strategic planning activity. The council constitution should appropriately reference the entity	Business case required to create a company - requires clear alignment of purpose and strategy. Constitution does not reference all entities	Consider how this is managed as a current requirement after company creation across the material entities
C15	A business case which assessed the risk involved in establishing the entity and recommended its establishment, taking account of other potential delivery models, should be available to review	Financial Regulations and Policy/Procedure manual sets out the requirements for a business case to set up a company. This submission is required before permission to create a company may be given.	
AGREEMENTS WITH THE ENTITY			

C16	Objectives of the entity should be clearly defined and documented, and regularly reviewed to ensure that its operation continues to support council policy and strategy, including periodically reviewing the business case to ensure it is still valid	Reviewed by CC-GCG as part of attendance and presentation.	Review and consider how this is managed across directorates - recommendations to follow.
C17	Agreements should be documented between the council and the entity for any support or services provided by either party to the other party	SLAs and contracts in place	review and confirm as part of directorate rep engagement
AVOIDING & MANAGING CONFLICTS OF INTEREST			
C18	All agreements should be clear, up-to-date, and regularly monitored and reviewed, with any changes to agreements documented so that a clear audit trail exists		
C19	There should be evidence that a culture exists whereby actual or potential conflicts of interests are identified, declared, and acted upon, including evidence of appropriate training across the organisation	Training provided for all directors, nominees, observers Evidenced in meeting records	Reinforce through officer support
C20	The council's constitution should contain clear and up-to-date policies and processes to consistently manage actual conflicts or potential conflicts of interest, including a clear process for investigations and procedures for appropriate disciplinary actions in the event of breaches	Constitution contains Code of Conduct and Protocols for members and officers	
COUNCIL APPOINTMENTS TO THE BOARD			
C21	The roles, responsibilities and reporting lines of officers and members who are involved in council oversight of the entities, the provision of services between the entities or the running of the entities should be clearly defined and documented	Defined and available	Review in terms of entity relationship
C22	There should be evidence that all matters relating to appointments to the board are subject to a documented formal, rigorous, and transparent procedure based on merit and published objective criteria which also promote diversity. This could include evidence that the recruitment process has been competitive and transparent, for example by demonstrating that a formal process for advertising and selection has taken place. Board appointments should be approved by the shareholder	In place for some entities	Review across all entities Revise process for annual appointments to provide evidence

ENTITY ARRANGEMENTS		ANNUAL RETURN - INFORMING THE AUDIT RISK ASSESSMENT – (Appendix 2)	OTHER - OR TO IMPLEMENT
ARTICLES OF ASSOCIATION			
E1	The entity's articles of association should be clear, up-to-date, and reflective of how the entity is run		
BUSINESS PLANNING			
E2	There should be evidence of an up-to-date business plan that is reflective of the current circumstances and environment in which the entity operates	Y	Through CC-GCG
ROLES & BEHAVIOURS OF THE BOARD			
E3	There should be evidence that the board meets regularly to consider, review and record discussions and conclusions	Y	
E4	There should be evidence of delivery of strategies and plans, including scrutinising key operational and finance performance information	Y	
E5	There should be evidence of the desired culture and behaviours		Officer contact/meeting with CEO
E6	The company structures should be regularly scrutinised in order to ensure they remain fit for purpose		Officer contact/meeting with CEO
E7	There should be evidence that the board has clear policies and procedures for its members to ensure that actual or potential conflicts of interests are identified, declared, and acted upon		Request confirmation annually

ROLES & BEHAVIOURS OF COMPANY DIRECTORS		
E8	There should be evidence that directors have sufficient skills and experience to run the entity	Y
E9	There should be evidence that directors' behaviours are aligned with the requirements of the Companies Act 2006 and the Nolan Principles as well as Cabinet Office's Code of Conduct for Board Members of Public Bodies ¹⁰	Officer contact/meeting with CEO
E10	The scope of directors' authorities should be documented and clear to all parties	CEO meeting and BCC training provision
COMPANY BOARD COMPOSITION		
E11	There should be evidence that the board has a diverse membership with the collective skills and attributes needed to lead the entity effectively	Officer contact/meeting with CEO
E12	There should be evidence that board membership is reviewed regularly for composition and fitness for purpose	Officer contact/meeting with CEO
THE BOARD & RISK MANAGEMENT		
E13	There should be evidence that the board understands the organisation's risk profile and the effectiveness of key controls and regularly reviews risks and risk appetite	Y
BOARD MEMBERS' SKILLS & DEVELOPMENT		
E14	There should be documented evidence that the board regularly undertakes a skills audit to ensure that it has an appropriate balance of skills and experience	Y
E15	There should be evidence of ongoing professional training provided to ensure that all board members are up-to-date in their understanding and supported in their roles	Y

THE ROLE OF EXEC & NON-EXEC DIRECTORS			
E16	There is evidence that the role of executive directors is clearly defined and documented		CEO Confirmation. BCC training
E17	Non-executive directors are in place to bring an independent judgement to bear on issues of subject matter expertise, strategy, performance, resources including key appointments, and standards of conduct		
E18	There is documented evidence that the board values the role of non-executive directors, and their views are influential in the board's decisions		CEO Confirmation - officer/observer confirmation
THE ROLE OF THE BOARD CHAIR			
E19	There is evidence that the chair provides clear board leadership, supporting the directors and chief executive and taking account of the shareholders' views		Sharehold rep & board appointee confirmation
FINANCIAL MANAGEMENT			
E20	There should be a fully documented and approved business plan that is consistent with and no more than 12 months older than the previous business plan. The changes within the updated business plan should accord with the trajectories that are apparent from monthly financial and non-financial performance reports	Y	
E21	The financial transactions and values attributable to the company within the council's medium term financial plan should agree with the projections in the business plan		Valuations on investments annually. Transactions reflected in MTFP as appropriate
E22	Board reports should include clear presentation of the monthly income and expenditure position of the company as well as a cash flow statement and balance sheet		confirm via board representation
E23	There should be evidence of an annual audit letter from the council's external auditors, confirming the degree of confidence they hold in respect of consolidation or treatment of financial instruments entered by the company	Y	

E24	Documented financial policies and procedures should be available	Y	to be confirmed as part of suite of policies
E25	There should be evidence of an effective annual internal audit programme	Y	

Company Name	
Question	Response
Company Environment	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	
How does the company ensure that Directors engage fully with the company and what is the record of attendance	
Please explain the system of governance and the financial control environment within the company	
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	

Company Name	
Question	Response
What is the company's approach to the development of business continuity plans?	
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements and other relevant laws and regulations?	
The Identification, Mitigation and Reporting of Risk	
Please set out your management's views on your risk assessment process as it related to financial reporting.	
Please set out your management's processes for identifying and responding to risks of fraud.	
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	

Company Name	
Question	Response
How does the company's management communicate to those charged with governance with respect to business risks (including fraud)?	
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period?	
How would your organisation raise the Council's Audit Committee's awareness of fraud or suspected fraud?	
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	
How would the company communicate any breach of GDPR requirements to the Council?	
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what type and value of insurance cover does the company have in place.	

Company Name	
Question	Response
Have any claims been made against the company or its Directors, or are you aware of any incidents that may lead to a claim, which have not been reported to the company's insurers?	
Financial Statements	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review?	
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements?	
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	
Please set out details of any indemnities or guarantees that the company has given.	

Company Name	
Question	Response
Please set out details of any indemnities or guarantees that the company has received.	
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	
Question	
Financial Performance and Going Concern	
Please state whether you currently assess your company as a going concern (considering the next 12-18 months) and the factors that give rise to that assertion.	

Company Name	
Question	Response
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance or financial position.	

Birmingham City Council

Report to Cabinet Committee – Group Company Governance

25 January 2024



Subject: Update On The Review And Rationalisation Of Group Companies (Response To Section 114 Notice)

Report of: Fiona Greenway, Interim Director of Finance, s151 Officer

Report author: Alison Jarrett Director Group & Capital Finance

Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :

1 Executive Summary

- 1.1 The report outlines progress on the reduction to the council's group of companies portfolio in order to achieve a portfolio aligned to Council plans and policy objectives, a reduction in financial and reputational risk and a more manageable and relevant group structure.

2 Recommendation(s)

Cabinet Committee Group Company Governance are asked to:

- 2.1 Note the progress since its previous meeting in the closure of entities no longer required.

3 Background

- 3.1 At its meeting on the 16th November 2023, the Committee received a presentation on the council's group structure and interests in companies either through share-holding or guarantee, those where the council has significant holding and those of minority interest or held under an investment portfolio. It was stated that a number of the companies are dormant, some deliberately so as parts of their own group structure set up together in anticipation of future use (eg Paradise group of companies), some held in anticipation of

requirement and to secure naming opportunities, and others that are now no longer required.

3.2 The committee agreed that where possible and desirable the portfolio should be reduced and streamlined, delivering administrative efficiencies and reducing potential risks arising from such a large number of entities.

3.3 Officers had started this review and work is progressing. Where a company has traded there may be tax implications arising from the write off of any residual balances, even if the company has been dormant for a number of years. This work requires specialist advice and therefore can incur a cost. Two companies are currently in that position and approval to incur these costs was a pre-requisite of the work commencing.

3.4 Once a company has completed its HMRC returns, or has confirmation that no liability exists, then a submission is made to Companies House. Under Companies Act legislation a notice is then placed in The Gazette UK (the UK's official public record) and a notice period of 2 months is set. Providing there are no objections the company may then move to be dissolved. This time span assumes there are no objections and no outstanding liabilities. The process also assumes that the council is able to make this instruction without reference to other directors or share-holders.

3.5 Progress table

Birmingham Wheels Ltd	<ul style="list-style-type: none"> • PwC appointed liquidators • HMRC confirmation received re Corp Tax • Confirmation of that there are no VAT implications rec'd 11/01/24 	Members Voluntary Liquidation (MVL) to proceed
Birmingham Endeavour	<ul style="list-style-type: none"> • Dormant company held preference shares of no value • PwC appointed to check and clear any HMRC issues • Additional background info requested Dec 23 	MVL to follow
Birmingham Charities Limited	<ul style="list-style-type: none"> • Forms completed: • Directors resolution to close • Form DS01 application to companies house to start the closing process 	MVL to follow
GBS Finance Ltd	<ul style="list-style-type: none"> • Application to strike off and dissolve a company posted on C House 17 Nov '23 • First Gazette notice 28 Nov '23 	2 month set wait for strike off
LBS Law Ltd	<ul style="list-style-type: none"> • Application to strike the company off the register – 14 Nov '23 • First Gazette notice – 21 Nov '23 	2 month set wait for strike off

- 3.6 Further companies are to be dissolved however some of these are part of active structures and present a complexity in the work, such companies may require expert advice and therefore present a cost requiring spend approval or that may be disproportionate to the benefits of dissolution. As this is not essential work, unless a non-general fund source can be identified then only internal work will progress.

4 Options considered and Recommended Proposals

- 4.1 The Committee is asked to note the progress and that further solvent liquidations will follow as resource allows.

5 Legal Implications

- 5.1 The Council's Section 151 Officer has a duty to ensure the proper administration of the Council's financial affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.

6 Financial Implications

- 6.1 There are no direct financial implications arising from the recommendations within this report apart from the officer resource required to undertake the reviews.

7 Public Sector Equality Duty

- 7.1 There are no equality duty or equality analysis issues relating to the proposals set out in this report.

8 Other Implications

- 8.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

- 8.1.1 The Council provides services to the community through a number of different vehicles. This report provides information on the management of the risk environment associated with the group entities through which service delivery is being provided

9 Background Papers

- 9.1 Local Authority Company Review Guidance - A toolkit for undertaking strategic and governance reviews of wholly or partly owned council commercial entities – 2023 edition.

10 Appendices

none

Public Report

Birmingham City Council**Report to Cabinet Committee – Group
Company Governance**

25 January 2024



Subject: Company Update

Report of: Fiona Greenway, Interim Director of Finance, s151 Officer

Relevant Cabinet Member: Councillor Brigid Jones

Relevant O &S Chair(s): Councillor Akhlaq Ahmed

Report author: Alison Jarrett Director Group & Capital Finance

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		
Appendix of Company updates giving personal or commercially confidential information		

1 Executive Summary

This report provides Members with an update on changes within entities that fall within the Council's group structure together with a summary report from each major company on their current performance and issues.

2 Recommendations

Members are asked to:

- 2.1 Note the information provided within the report and at private appendix 1 which contains commercially confidential details concerning group and associated companies.

2.2 Note that GBSLEP has entered into Members Voluntary Liquidation to wind up on the 31 March 2024 and a cabinet decision will follow to accept and manage residual funds.

3 Background

3.1 This report details Companies House reportable changes to companies that fall within the Council's group structure, reviews published accounts for audit assurance and details any material items for discussion, disclosure or recommended decision in relation to the Council's group of companies.

3.2 Company Changes

Details of changes in companies notified to Companies House since the previous Committee meeting are set out below, where a termination or appointment is made that is not a BCC member, officer or associate it is not noted.

3.2.1 GBS FINANCE LIMITED - 14-Nov-23 - application to strike off and dissolve a company

3.2.2 LSB LAW LIMITED – 14-Nov-23 – application to strike off and dissolve a company. 21-Nov-23 – First Gazette Notice for voluntary strike-off

3.2.3 PBRS ESTATE MANAGEMENT COMPANY – Incorporated under amended model articles on 05 Dec 2023 –

3.2.4 PBRS (PLOT 9) ESTATE MANAGEMENT COMPANY LIMITED – Incorporated under amended model articles on 05 Dec 2023 –

3.3 Annual accounts have been submitted for the following companies:

Company		unqualified audit (where applicable)
WITTON LODGE COMMUNITY ASSOCIATION (02903760) - 02-Nov-23	Accounts for a small company made up to 31 March 2023	Y
IKON GALLERY LIMITED (00902136) - 10-Nov-23	Group of companies' accounts made up to 31 March 2023	Y
RETAIL BIRMINGHAM LIMITED (06181225) - 15-Nov-23	Accounts for a small company made up to 31 March 2023	Y
BIRMINGHAM DISABILITY RESOURCE CENTRE (02897250) - 28-Nov-23	Accounts for a small company made up to 31 March 2023	Y
BIRMINGHAM CITIZENS ADVICE BUREAU SERVICE LIMITED (02202427) - 01-Dec-23	Accounts for a small company made up to 31 March 2023	Y
ST. PAUL'S COMMUNITY DEVELOPMENT TRUST (01429707) - 12-Dec-23	Accounts for a small company made up to 31 March 2023	Y

CENTRAL TECHNOLOGY BELT (04649812) - 15-Dec-23	Accounts for a small company made up to 31 March 2023	Y
ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LIMITED (07918913) - 16-Dec-23	Full accounts made up to 31 March 2023	Y
ACIVICO (BUILDING CONSULTANCY) LIMITED (07918763) - 16-Dec-23	Full accounts made up to 31 March 2023	Y
KINGS HEATH BUSINESS IMPROVEMENT DISTRICT (05785221) - 18-Dec-23	Total exemption full accounts made up to 31 March 2023	N/A
ARDEN CROSS LIMITED (09948413) - 20-Dec-23	Accounts for a small company made up to 31 March 2023	Y
BIRMINGHAM MUNICIPAL HOUSING LIMITED (07021056) - 20-Dec-23	Accounts for a dormant company made up to 31 March 2023	N/A
FORWARD HOMES (BIRMINGHAM) LIMITED (09451223) - 20-Dec-23	Accounts for a dormant company made up to 31 March 2023	N/A
ASCARII LIMITED (07970532) - 21-Dec-23	Total exemption full accounts made up to 31 December 2022	N/A
BIRMINGHAM LEP COMPANY LIMITED (06915791) - 27-Dec-23	Full accounts made up to 30 December 2022	Y
COLMORE BUSINESS DISTRICT LIMITED (06731032) - 31-Dec-23	Accounts for a small company made up to 31 March 2023	Y
ERDINGTON TOWN CENTRE PARTNERSHIP (04428948) - 04-Jan-24	Total exemption full accounts made up to 5 April 2023	N/A

3.4 Company Performance

A review of the material group company interests of the council is an ongoing process to understand current impacts, including supply chain costs, inflation and recession on their business plans and performance. A snapshot of the business position is reported to each meeting of the Group Company Governance Committee in appendix 1 and in the exempt agenda where the detail is considered commercially sensitive. The content of these reports will be reviewed to ensure they meet the needs of the Committee's terms of reference. As part of these updates contain commercially sensitive information that may impact on performance were it to be made public, they will remain on the private agenda however company information is reported on Companies House website as required. Where it is indicated that there is a risk of a financial impact to the council then that will be reported within the regular revenue and capital monitoring reports to Cabinet.

3.5 Frontier Development Capital – Sale of Shares, First Deferred Payment

- 3.5.1 As reported to Cabinet Committee Group Company Governance on 26 January 2023, on 6 December 2022, Frontier Development Capital Ltd (FDC) was purchased by Mercia Asset Management Plc. Mercia acquired the full share capital for a total consideration of up to £9.5m plus net cash. Frontier Development Holdings Ltd (FDH) held 9% of the share capital. FDH is a wholly owned subsidiary of BCC, it is subject to full UK tax, following which the company issues dividend to BCC.
- 3.5.2 FDH received £0.597m on 7 December 2022, being its share of the initial consideration of £5.5million, plus an amount equal to FDC's net cash position as at 30 November 2022, less transaction costs. In addition, deferred consideration of up to £4.0million in cash will be payable, contingent upon the achievement of future revenue and net new institutional third-party fundraising targets for the two years to 30 November 2024.
- 3.5.3 FDC has achieved its targets for the year ended 30 November 2023 and the first of the two annual residual payments is now due to FDH, a sum of £0.135m, to be received week commencing 8 January 2024. This too will be subject to tax within FDH and then paid to the council as dividend.

3.6 Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP)

- 3.6.1 GBSLEP Ltd was required by Government to be established as a separate legal entity, it was incorporated as a Company Limited by Guarantee in 2011. Birmingham City Council (BCC) is one of the founding (and alongside Solihull Metropolitan Borough Council (SMBC) one of only two remaining) Members of the Company. The company was dormant until 2018, when a change in Government policy required GBSLEP Ltd to be activated and assets and liabilities to be transferred into the company from BCC as its Accountable Body. Since this point GBSLEP has traded on its own behalf.
- 3.6.2 In 2022, the UK Government mandated the integration of Local Enterprise Partnerships into local democratically elected institutions, existing Combined Authorities or other institutions with devolved powers. The GBSLEP Board in September 2022 decided on the gradual and controlled tapering down of its operations towards full closure in March 2024. This process was captured in the GBSLEP Transition Plan submitted to Government by the West Midlands Combined Authority in February 2023
- 3.6.3 As part of the process, several GBSLEP Functions have transferred from GBSLEP to other institutions, including the WMCA, BCU and BCC. In BCC's case this has included the transfer of legacy programmes (including EZ and Local Growth Fund), as well as the Growth Hub delivery team who are delivering against the UKSPF output targets for both BCC and SMBC. The remaining team members of GBSLEP

are from the 1st January 2024 solely involved in closing down the LEP with no operational activity remaining.

- 3.6.4 The GBSLEP Executive Team has been working with the intended Liquidator to enter into a 'Members Voluntary Liquidation' (MVL) on or around 7 March 2024. The company will be solvent at its point of liquidation. Steps are in motion to ensure that all GBSLEP liabilities, including any tax and pension liabilities, are settled before March 2024.
- 3.6.5 The MVL follows a set process, in which BCC plays a key role in four capacities:
- as a Director on the GBSLEP Board, Cllr Cotton or his representative will be required to sign off the solvency statement for the company in January/February and resolve to initiate the liquidation process; and
 - as a Member of the Limited Company (alongside SMBC), BCC will be required to pass the resolution to put the company into liquidation on or around 7 March 2024
 - as GBSLEP's Accountable Body, and in accordance with guidance from the Government's Department for Levelling Up, Housing and Communities (DLUHC), BCC is receiving and retaining the GBSLEP corporate Records (mainly in electronic form) in line with the agreed retention schedule.
 - as the recipient of GBSLEP's Residual Funds of circa £1.5m which will be required to be used to serve the same or substantially similar objects as those set out in the Objects of the Company in response to any successful applicants for funding from time to time located in the GBSLEP Legacy Area (GBSLEP Legacy area comprises the nine Local Authority areas of: Birmingham, Bromsgrove, Cannock, East Staffordshire, Lichfield, Redditch, Solihull, Tamworth and Wyre Forest), as well as certain permissible use by BCC as set out in the Deed of Transfer and the Confirmation Deed of Transfer signed between BCC (Transferee) and GBSLEP (Transferor) on 30th June 2023 and 30th November 2023 respectively - these permissible uses include costs necessarily and properly incurred in managing the Residual Funds.
- 3.6.6 Full Cabinet will be asked to approve the receipt and management of the GBSLEP Residual Funds at its March 2024 meeting.

4 Options considered and Recommended Proposal

- 4.1 This report provides information to Members on changes to organisations that fall within the Council's group structure or where members or officers hold company positions by virtue of their council position. Further reports under company specific reports will be provided to future meetings of this committee.

5 Consultation

- 5.1 The Chair of the Committee has been consulted in the preparation of this Report.

6 Risk Management

6.1 This report sets out information on external organisations associated with the Council.

7 Compliance Issues:

7.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

a) The Council provides services to community through a number of different vehicles. This report provides information on entities associated with the Council through which service delivery is being provided.

7.2 **Legal Implications**

a) The Council's Section 151 Officer has a duty to ensure the proper administration of the Council's financial affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.

7.3 **Financial Implications**

a) The Council needs to consider whether any of the changes in the company group structure has a financial impact on or increases the financial risks to the Council.
b) There are no direct financial implications arising from consideration of this report and the recommendations contained within it.

7.4 **Procurement Implications**

a) There are no procurement implications directly arising from this report.

7.5 **Human Resources Implications**

a) There are no human resources implications directly arising from this report.

7.6 **Public Sector Equality Duty**

a) There are no equality duty or equality analysis issues relating to the proposals set out in this report.

8 Background Documents

CIPFA Code of Practice on Local Authority Accounting

9 Appendices

Appendix 1 Company Update

Exempt Appendix Company Update – commercially sensitive information

Major Trading Companies Update - PUBLIC

Cabinet Committee Group Company Governance 25th January 2024

Company	Company operations	BCC Directors	Share interest	
<p>Acivico Limited</p> <p>(Subsidiary Companies: Acivico (Building Consultancy) Limited & Acivico (Design, Construction & Facilities Management) Limited)</p>	<p>A multi-disciplinary consultancy company operating in the built environment. Provides the statutory service for Building Control and public safety, design, consultancy and asset and facilities management, along with a range of services that align to the Carbon Zero strategy and following the Grenfell disaster, the Building Safety Bill 2022.</p> <p>Providing programme and Project Management of major capital build programmes, engineering facilities management and a range of complimentary professional and technical consulting services.</p> <p>Major client is BCC</p>	<p>Cllr Ken Wood</p> <p>Vacant (Labour Cllr TBC)</p> <p>Vacant (External NED recruitment)</p>	<p>100% of Acivico Limited</p>	<p>General Update</p> <ul style="list-style-type: none"> In 2023 the Group engaged economists to undertake a 10-year economic impact study of its activities. Acivico has supported on average 302 jobs p.a. in Birmingham and contributed a cumulative £140m in Gross Value Added to the economy. The 24/25 Acivico Business Plan with a 5-year forecast will be finalised in February 2024. The Building Safety Regulator has confirmed that there is no need for Acivico to register as a private sector provider under the new regime. Acivico can continue to deliver the council’s building control service without any changes. Sustainable Warmth grant funded works to improve the thermal efficiency of the housing stock in Birmingham (LAD3 & HUG1 schemes) was completed successfully in November 2023, reducing energy poverty, and delivering a carbon dioxide saving of circa 1120 tonnes per year. The project was featured in The Times as an exemplar community led retrofitting initiative. Progressing with options to renew the Small Works (£25K to £500K) Framework in April 2024. Renewal of the lift repairs and maintenance contract with BCC Housing is on-going. Acivico is assisting Corporate Landlord to enable the Council’s asset disposal plans. <p>23/24 Year to Date Financial Summary</p> <ul style="list-style-type: none"> YTD results on a Group P&L basis behind budget after eight months of trading, although there is an expectation of some recovery due to revenue release for outstanding fees on the LAD3 project. Mitigations are being put in place for BC and DC business units to reduce budget shortfall and expectation that the accounting adjustment for pension to be considerably better than budgeted which will positively impact the balance sheet. The Group was also inline to budget for period 8 however, over £400k of revenue had not been recognised due to risk of recovery. Since the end of the period this risk has now been mitigated with additional revenue due recognised in period 9 which will bring the group closer to overall budget levels and show a favourable variance to budget in period 9. Cashflows from operating activities excluding depreciation and accounting adjustment to pension currently stands in a positive position, which will improve the balance sheet position and the deficit. <p>Risks/Areas of Concern</p> <ul style="list-style-type: none"> Staff have begun the compulsory registration process for Building Control Inspectors. There is concern in the sector that sufficient registration levels will not be achieved for the 6th of April deadline, risking insufficient staff registered at the right level and processing of applications.
<p>Arden Cross Limited</p>	<p>A joint venture company between the three major landowners of a site within Solihull MB, adjacent to the NEC, Birmingham Airport and Birmingham International Station. The objective of the company is to maximise the commercial potential of the site.</p>	<p>Ian Macleod</p> <p>(Alternate: Kathryn James)</p>	<p>33% shares and voting rights</p>	<p>General Update</p> <ul style="list-style-type: none"> The Arden Cross project continues to deliver generally in accordance with the Business Plan but not without associated obstacles. Heads of Terms for the development agreement between ACL and Muse were agreed and exchanged in Autumn 2023 Lawyers were instructed to formalise that agreement and the draft Development Agreement has been released to Muse. BCC Cabinet approvals to date provided delegated powers for the Council to enter into the Development Agreement The draft Masterplan has now been prepared by the development partner, Muse, and presented to the ACL Board with a view to approving this early in the new year. Stakeholder engagement has been carried out in October. A Financial Model has been worked up by Muse and was presented in draft form to the ACL Board in December 2023. The “Network North” paper issued by HMG in cancelling Phase 2 of HS2 outlined £50 million of grant towards viability difficulties within the site.

				<ul style="list-style-type: none"> In late December the Arden Cross site was proposed by HMG as a “Growth Site”. This will likely enable rates retention and rates savings benefits. Work continues to minimise land take by HS2 and hence increase developable land controlled by the landowners. The overall need for HS2 car parking at the Interchange Station had been reduced from 7,500 spaces to 4,500 spaces. HS2 is now reassessing the train schedule and thereafter the associated car parking needs which may reduce again. <p>Risk/Areas of Concern The following areas of risk are highlighted and are being managed by the ACL Executive Team.</p> <ul style="list-style-type: none"> Ongoing commitment of shareholders to ACL Continued Changes to the Arden Cross boundaries Development Agreement (DA): Conditionality and Timing Adoption of Local Plan: A twin track approach to considering a very special circumstances application to mitigate this delay is now being adopted by Muse and their planning consultants, Turley. CIL Review – SMBC have produced a useful paper relating to the assessment that developments will be taken through where a CIL exemption might apply. This enables two routes to be followed. The more formal CIL assessment work being undertaken by SMBC has however been delayed and is currently scheduled to go to cabinet in December 2023 and out for consultation in January 2024. Muse are considering how these two alternatives will work best in the context of their planning work and programme. Land hand back from HS2 – On 22nd September HS2 issued a revised land hand-back programme which delays the hand-back of certain areas of land. The schedule has been challenged and questions raised as to the rationale. Viability of the scheme - financial model – The draft masterplan has informed a new financial model and business case. This will also inform DfT of the viability issues facing the development and other potential sources of funding (for example WMCA) of the need for public sector support for the Arden Cross development. The model will also provide an indication of payments that would flow through the Value Capture Agreement to pay towards infrastructure provided by the UGC, the anticipated land values generated and the overall viability of development. UKCUGC - Solihull MBC are to subsume the UGC into the Council. This decision will simplify stakeholder engagement and ease communication. SMBC's lawyers are advising on the status of agreements to which UGC has been a party and will liaise with other stakeholders once this is complete.
B: Music Limited (formerly Performances Birmingham Limited)	Provision, management, and administration of venues for performances at Birmingham Town Hall and Symphony Hall.	Cllr Albert Bore Cllr Ewan Mackey	Sole Member (Limited by Guarantee)	<p>General Update B:Music has just come through the busiest trading period of the year with 250 events presented across October, November and December and an audience of >157,000. It has been a good quarter for audiences, with most of the December programme recovering to pre-pandemic levels.</p> <p>There are no significant areas of concern regarding recruitment or other operational issues.</p> <p>In December the Symphony Hall café, B:Eats, was featured heavily on the Hairy Bikers Christmas Special which has been great for visibility, and for Birmingham – Opheem/Aktar Islam was also featured. https://www.bbc.co.uk/iplayer/episode/m001tlv4/the-hairy-bikers-coming-home-for-christmas</p> <p>Financial position Whilst trading figures have been mostly above target, casual labour costs (which have risen by 20% over two years, due to the living wage) means that profitability of events is not rising in line with inflation.</p> <p>However, the management accounts for P9 show a £206k favourable variance to budget, due to higher than budgeted income on F&B, box office commission and event contribution. This combines with another strong month in November to mean that the YTD variance remains considerably ahead of budget. Although P10-12 are budgeted to be loss making, it is likely that the year-end position will be considerably ahead of the forecast deficit of £275k.</p>

				<p>The reserves position remains strong enough to absorb what is still likely to be a second year of deficit, but that may mean re-designating some reserves and pushing back long-term maintenance projects. Clearly however, continuing to absorb this level of loss is unsustainable.</p> <p>Risks and Challenges The previously reported risk regarding an unresolved dispute between NEC Group and BCC over service charges at the ICC remains.</p>
Birmingham Airport Holdings Limited	Commercial and Domestic Air travel	Cllr Brigid Jones Cllr Paul Tilsley CBE	18.68%	<p>General Update Customer volumes at Birmingham Airport in October 2023 totalled 1,106,000, which was 100.4% of October 2019, and the first month that pre-pandemic numbers have been exceeded, being in the high nineties for sometime. In 2019/20 Birmingham Airport served more than 12m customers. After the Government re-opened borders in March 2022, customer volumes reached 10.5m in 2022/23. In 2023/24, passenger levels are expected to be close to 2019/20 levels. It is estimated that more than 335,000 customers will travel through Birmingham Airport between 22 December 2023 and 2 January 2024, a 19% increase compared to the same period in the prior year. The most popular destinations over this period are Dubai, Dublin, Tenerife, Geneva and Amsterdam.</p> <p>Birmingham Airport is undertaking a £300m capital investment programme over the next decade to make it capable of serving 18 million customers a year by 2033, when it also aims to become a carbon net-zero airport.</p> <ul style="list-style-type: none"> ➤ Birmingham Airport is halfway through more than £10m of aircraft stand upgrades to make its operation more efficient and reliable for customers. When complete, all the stands on the South Terminal will be capable of accommodating Airbus 321 and Boeing 737 aircraft, which many airlines use. ➤ Birmingham Airport has begun bringing into use four 50-person lifts as part of its +£50m project to build a state-of-the-art new security screening hall for customers. In January 2024 new security screening equipment will be delivered, which are planned to become operational in June 2024 after staff have been trained. Once completed, the new security area will deliver a more efficient process and a better experience for customers.
Birmingham Children's Trust Community Interest Company	Provision of Children's services	Richard Brooks	Trust (100%)	<p>General Update The Trust continues to thrive. Whilst under significant pressure, we continue to drive improvement in services and outcomes for children. Key issues include:</p> <ul style="list-style-type: none"> • Leadership changes: the previous Chair of the Trust Board retired in December 2023 and Andy Couldrick moved from Chief Executive to Chair. James Thomas joined in December 2023 as the new Chief Executive. We have reorganised using existing capacity to cover all key roles without external recruitment at this stage, and the transition has been smooth. • Our work with Solihull is established. We provided a detailed 'diagnostic' and initial work plan, which was well received and aligned with Ofsted findings there at a recent monitoring visit. Our support has been welcomed. • We will be bidding to join the Sector-Led Improvement Partner process, whereby DfE will commission the Trust to support other struggling children's services. • High levels of demand in most areas of our work continue. • The number of children in care has risen in line with our projections and national trends. Care costs have risen steeply, a consequence of a broken market, insufficiency, the impact of regulation and, critically, an increase in the complexity of need. • Numbers of unaccompanied asylum-seeking children arriving in Birmingham have also impacted upon children in care and care leaver volume and have continued to rise. • Recruitment and retention remain a challenge, placing pressure on agency numbers and caseloads. <p>Despite the challenges we face, performance remains strong, as does the quality of practice, the range of services we offer has grown, and we remain optimistic about our work, our partnerships and our impact on children, young people and families.</p>

				<p>Finance Update</p> <p>In response to the s114 Notice we are taking steps that mirror those in the Council to address all spend decisions and to cease spend that does not support front-line practice. The Trust is working closely with the Council in relation to the immediate and longer-term budget challenges it faces, and is managing its own spend control. In addition, the Trust's Director of Finance is supporting the Council's s151 Officer in their spend control and budget activity in the Council.</p> <p>We continue to work hard to manage and mitigate the financial pressure arising from increasing demand for services, growing numbers in care, complexity of need and risk, absence of appropriate care placements, and rising numbers of unaccompanied asylum-seeking young people. We have more fully aligned our budget recovery planning with that of the Council in the context of the most recent serious financial challenges facing the Council and, like most Children's Services Authorities nationally, the Trust is working to mitigate an in-year pressure in 2023/24. Our focus is on diversion and prevention, enabling children to stay in their families, aligning our resources better to support this intent, and ensuring our commissioning and market engagement help us achieve best value.</p> <p>Risks/Areas of Concern</p> <p>The Trust continues to be a key part of system leadership across the city, and will want to play a full role in the Year of Change for Children. There are some key partnership challenges that we need to address in the coming year. Successful progress will impact positively on demand for Trust services as well as promoting better outcomes through different and earlier responses. Examples include:</p> <ul style="list-style-type: none"> • the Council's financial position: this clearly represents a new and significant risk to the Children's Trust. We will, of course, continue to work closely with the Council and, as necessary, the Commissioners to support their work. We continue to experience increasing demand for our services, and the Trust delivers some critical services without secure revenue funding in place from the Council (Early Help). • responding to the challenge of domestic abuse and homelessness for women and children – this continues to drive a substantial amount of work in the Trust. The absence of any perpetrator programmes in the city is a particular concern, and one noted by Ofsted. • children's and parental mental ill health: increasing amounts of Trust resources are used as a consequence of delivery and definitional issues around mental health. A better joint, and joined-up, response is required. Birmingham's CAMH services have recently been inspected and judged 'Inadequate' by the CQC. This might offer an opportunity to collaborate over a different and more integrated and collaborative service offer. • contextual and transitional safeguarding: increasing the strength of the partner response to safeguarding risks outside of the family and across the life course. • early intervention and prevention: the work in the Council is progressing and there are real opportunities to build greater prevention into the role of universal services in the city. The Trust is eager to ensure that, in policy and practice, effective links are made across Early Intervention and Prevention, our Early Help service and the emerging Family Hubs programme. The Trust Early Help offer certainly reduces demand for statutory services, yet we see that demand continue to rise nevertheless. • working with the newly-appointed Commissioners to build confidence in the governance, effectiveness and efficiency of the Trust. <p>We are well-placed to continue to rise to these challenges and maintain the trajectory of improvement we have set hitherto, maintaining effective collaboration with the Council and all of our partners.</p> <p>Impact from the Cost of Living</p> <p>The Trust continues to work with the Council and other partners to develop a coherent response to the cost of living crisis. We are concerned to ensure that family poverty is addressed and supported rather than referred to the Trust as a type of neglect. We are working with BVSC and the Council to ensure that the Household Support Fund is delivered quickly and efficiently to young people and families experiencing hardship. Last summer we ran a range of schemes under the Holiday Activity with Food programme, targeting families from vulnerable communities. We provided a fully sponsored Winter</p>
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				<p>Wonderland offer to thousands of children over the holiday season. It continues to be the case that financial hardship in communities is driving demand for Trust services.</p> <p>Through our charity, Bfriends, we are forging some new and exciting partnerships with commercial and other organisations across the city that will bring in significant funds and support for our most vulnerable.</p>
Birmingham City Propco Limited	Management and Leasing of Commercial Property	Alison Jarrett Simon Delahunty-Forrest	100%	<p>General Update Propco continues to manage the Council's NEC based hotels; Hilton Metropole and Crowne Plaza. Cabinet approved a report on 27th July 2021 to further invest in Propco, however no further plans have been made to expand the portfolio.</p> <p>Finance Update</p> <ul style="list-style-type: none"> Propco made a profit before taxation of £0.697m in 2021/22. The draft accounts for 2022/23 indicate a profit before tax of £0.688m and will be finalised when the auditors' report is received shortly. Draft corporation tax of £0.110m was paid before due date of 31st December 2023. The filing date with Companies House has been extended by 3 months to 31st March 2024 to accommodate additional auditor requests. As part of the audit, a cashflow forecast was provided for the next 12 months to 31st March 2025 which confirmed a positive cash balance. In addition, a profitability statement for the 25 year repayment period of the Council's loan has been produced, which shows trading losses as Council loan repayments include principal repayments in 2023/24 onwards. The loan repayment profile assumed increasing rent from periodic reviews and turnover based supplemental rent which has been stifled in recent years. However, there are indications that the conference hotel sector has recovered and opportunities for rental growth are being monitored closely. The Council invoices the hotels on behalf of Propco for rent and service charges and collects the income. This support continues to be adversely affected by the implementation of the new finance system and invoicing for Hilton Metropole has still not been actioned for 2023/24 yet, which has delayed payment of the half year loan instalment from Propco to the Council in August 2023 and may further delay payment of the next instalment in February 2024. Propco paid its loan interest payment for 2022/23 of £1.076m to the Council at the start of October 2023 following delays in identifying income paid from the two hotel companies. <p>Risks/Areas of Concern</p> <ul style="list-style-type: none"> A dispute between Propco and the NEC Group regarding a substantial increase in estate road service charges is progressing towards a positive outcome for Propco with progress reported in the Private agenda. Propco's financial model anticipated rental growth through periodic uplifts as well as turnover related supplemental income. However, the profitability forecast provided to the auditors, shows losses in 2024/25 onwards as loan principal repayments commence. There is sufficient liquidity to continue operating in the short term, however the financial position will have to be monitored closely and if necessary the Council will be asked to reprofile the loan to reflect expected rental levels. Propco receives support services from the Council which includes legal, property and financial. Property Services support includes rent and service charge invoicing and cash posting which continues to be adversely affected by issues within the new finance system. <p>Impact from the Cost of Living Propco does not have any direct property running costs and other than the estate road payments which are currently in dispute, it recovers water and service charges from the tenant hotel companies. Supplemental rent payable to Propco based upon hotel company turnover was impacted by Covid and airport and conference related hotel accommodation, however there is evidence based on recent turnover figures that this now exceeds pre-Covid levels.</p>
Birmingham Museum Trust	Provision of museum services	Cllr Robert Alden Cllr Philip Davis	100% (Trust)	<p>General Update</p> <ul style="list-style-type: none"> Major external repairs (funded by £5m DCMS MEND funding) at Birmingham Museum & Art Gallery (BMAG) drawing to a close. Artefacts and collections have been returned from storage but BMAG remains closed

				<ul style="list-style-type: none"> BMT Secured £250K from FCC grant to assist partial reopening of Birmingham Museum & Art Gallery for summer 2024. In meantime BMT plans to open Gas Hall with 'Victorian Radicals' exhibition in February Started £250,00 NHLF grant supporting financial stability, 10yr plans, business model and building resilience <p>Finance Update</p> <ul style="list-style-type: none"> BMT has in-year spending controls to meet budget which are not sustainable medium-term. 2023-24 forecast improved to break-even position is an improvement from the original budget set at £569k deficit – mainly due to one off rebate on business rates. BMT requesting an (inflationary) uplift for 2024-25 to main contract and £420K compensation for continued closure of BMAG Costs of purchasing supplies and services still increasing BCC still owe BMT over £60,000 for Aston hall recharges for use of security whilst closed for essential works <p>Risks/Areas of Concern</p> <ul style="list-style-type: none"> Section 114 may have serious implications for Birmingham Museums Trust. The BCC investment represents 45% of our annual revenue funding. BMT has a four-year rolling funding agreement (2022-26) which is expected to be honoured as per contract Reopening of Birmingham Museum & Art Gallery is critical to the sustainability of BMT and securing museums accreditation and external funding 2023-24 BCC service fee had no uplift for inflation which is in effect a cut to BMT Our wider estate is continuing to deteriorate so a joint approach is needed for a long term strategy Arts Council England are a major stakeholder and they have increased our risk profile to very high in light of S114 Soho House sewage works leak caused significant damage and costs BMT are pursuing Severn Trent for damages claim S114 causing reputation damage with potential funders and partners
Birmingham Wholesale Market Limited	Corporate Joint Venture to run the Wholesale Market Hub	Ian Chaplin Kathryn James Paul Kitson	50%	No further update
InReach (Birmingham) Limited	Construction and management of private rental properties	Guy Olivant Colette McCann	100%	<p>The Embankment development continues to operate well, with strong demand for any apartments that do become vacant. The most recent Management Accounts (to November 2023) show void rent loss at 1.09%, with a relet time of only 5 days. InReach continues to perform well in financial terms, with EBITDA at 67.94% and total net income continuing to exceed budgeted performance. This positive performance is anticipated to continue for the remainder of the financial year.</p> <p>The InReach proposal as previously reported to this Committee continues to be an option for plot 7 at Perry Barr but is now being reconsidered by the Council to reflect the wider context of the council needing to generate capital receipts from the sale of assets, we anticipate a recommendation being made by the Council Team in Jan/Feb 2024.</p>
Paradise Circus Partnership Limited	The main vehicle for the redevelopment of Paradise Circus	Kathryn James Guy Olivant	50/50 joint venture	<p>The Paradise Circus development continues to progress well, with very strong demand for the high-quality office accommodation being provided. Work is currently under way to bring forward the next phases of the development (with support being sought through the Enterprise Zone, as with previous phases) – a draft business case for the EZ funding has been prepared and is currently being evaluated.</p> <p>PCLP's working capital position continues to be tight and require careful management through the JV partners, with options being considered for approaches that may alleviate the current pressures and allow an accelerated repayment of working capital borrowing facilities.</p>

Public Report

Birmingham City Council**Report to Cabinet Committee – Group
Company Governance**

25 January 2024



Subject: B:Music - Company Pen Portrait

Report of: Fiona Greenway, Interim Director of Finance, s151 Officer

Relevant Cabinet Member: Councillor Brigid Jones

Relevant O & S Chair(s): Councillor Akhlaq Ahmed

Report author: Alison Jarrett Director Group & Capital Finance, Deputy s151

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

B:Music Ltd is to present to Members on the private agenda. This report provides Members with a pen portrait of the company.

2 Recommendations

2.1 Members are asked to note the information provided

3 Background

3.1 B:Music is a company incorporated in 1996 by the National Exhibition Centre (NEC) and limited by guarantee by Birmingham City Council as sole guarantor from 1997. The organisation's objectives are:

- To promote and present concert performances of classical, popular, and contemporary music, complementary to those of the City of Birmingham Symphony Orchestra (CBSO), and of world-class calibre; and
- To educate the public by promoting, fostering, and encouraging the knowledge, understanding, and appreciation of the arts, particularly music, providing an education programme for this purpose.

3.2 The company receives a revenue support grant from the council as shown in the table below:

	2022/23	2023/24
BCC Core Grant	£1.388m	£1.388m

During 2022/23 B:Music had 393 employees on full, part-time and variable contracts (2021/22 421), and an average number of core employees of 60 (2021/22 49). At 31 March 2023 (audited) the charity held net assets of £14.5m (2022 £14.2m).

Recent financial performance is summarised below:

	Consolidated Income & Expenditure Account £'000 (loss)/surplus		Group Balance Sheet – Total Charity Funds £'000	
	Restricted (imposed by donors)	Unrestricted	Restricted (imposed by donors)	Unrestricted
31 March 2023	(652)	(27)	12,235	2,259
31 March 2022	286	11	12,887	2,286
31 March 2021	3,744	607	12,601	2,275
31 March 2020	6,697	(197)*	8,857	1,668

* - £200k was transferred from restricted to unrestricted after net expenditure

3.3 B:Music manages and operates Symphony Hall which is one of the finest concert halls in the world. Presenting a world-class programme of music and education, it is

a major cultural draw for Birmingham and is the home of the City of Birmingham Symphony Orchestra (CBSO).

- 3.4 B:Music completed its major capital construction project, "Making an Entrance" during 2020/21. This construction project extended and re-modelled Symphony Hall's public spaces and was funded through a combination of fund-raising and grant awards and a BCC commercial loan facility of up to £3m, this was not fully required, £0.7m was drawn down at a commercial rate over a term of 20 years..

3.5 Key personnel and board (to include):

Mr Nick Reed – CEO

Ms Anita Bhalla OBE DL - Chair of the Board

Councillor Ewan Mackey - Director

Councillor Sir Albert Bore - Director

4 Options considered and Recommended Proposal

- 4.1 This report provides information to Members on B:Music and will assist in the exchanges and discussion on the presentation within the private agenda.

5 Consultation

- 5.1 The Chair of the Committee has been consulted on the attendance of B:Music.

6 Risk Management

- 6.1 This report provides an outline of the company and background for discussion of company performance with the company representatives.

7 Compliance Issues:

- 7.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

The Council provides services to community through a number of different vehicles. This report provides information on B:Music, a major provider of cultural services and events within the city.

The recommended decision supports the Birmingham City Council Plan 2018-2022, outcome 4: Birmingham is a great city to live in through priority 8, we will enhance our status as a city of culture, sports and events.

7.2 Legal Implications

The Council's Section 151 Officer has a duty to ensure the proper administration of the Council's financial affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.

7.3 Financial Implications

There are no financial implications directly arising from this report but Members should consider any questions or considerations arising from this report for discussion during the private agenda.

7.4 Procurement Implications

There are no procurement implications directly arising from this report.

7.5 Human Resources Implications

There are no human resources implications directly arising from this report.

7.6 Public Sector Equality Duty

There are no equality duty or equality analysis issues relating to the proposals set out in this report.

8 Background Documents

CIPFA Code of Practice on Local Authority Accounting