

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)

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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