

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