

Birmingham City Council

Report to Cabinet Committee – Group Company Governance

26 January 2023



Subject: Company Update
Report of: Rebecca Hellard, Director Council Management
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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

This report provides Members with an update on changes within entities that fall within the Council's group structure.

2 Recommendations

- 2.1 Members are asked to note the information provided within the report and at private appendix 1 which contains commercially confidential details concerning group and associated companies.
- 2.2 Members are requested to provide views and observations, in private discussion, of current and future arrangements for appointing Non-Executive Directors.

3 Background

3.1 There have been a number of changes in companies that fall within the Council's group structure, which have been detailed below.

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.

1. FRONTIER DEVELOPMENT CAPITAL LIMITED (09967393) - 15-Dec-22 - Termination of appointment of Alison Jane Jarrett as a director on 5 December 2022
2. IKON GALLERY LIMITED (00902136) - 16-Dec-22 - Appointment of Councillor Jayne Francis as a director on 16 December 2022
3. IKON GALLERY LIMITED (00902136) - 16-Dec-22 - Notification of Jayne Francis as a person with significant control on 16 December 2022

3.3 Annual accounts have been submitted for the following companies:

Company		unqualified audit (where applicable)
BIRMINGHAM SCHOOLS SPC PHASE 1B LIMITED (07598247) - 18-Nov-22	Full accounts made up to 31 December 2021	Y
BIRMINGHAM SCHOOLS SPC PHASE 1A LIMITED (06915837) - 18-Nov-22	Full accounts made up to 31 December 2021	Y
BIRMINGHAM SCHOOLS SPC HOLDINGS PHASE 1B LIMITED (07597941) - 18-Nov-22	Group of companies' accounts made up to 31 December 2021	Y
BIRMINGHAM ENDEAVOUR LIMITED (09995787) - 24-Nov-22	Unaudited abridged accounts made up to 28 February 2022	N/A
BIRMINGHAM LEP COMPANY LIMITED (06915791) - 28-Nov-22	Full accounts made up to 30 December 2021	Y
KINGS HEATH BUSINESS IMPROVEMENT DISTRICT (05785221) - 02-Dec-22	Micro company accounts made up to 30 April 2022	Y
THE GREATER BIRMINGHAM AND SOLIHULL LOCAL ENTERPRISE PARTNERSHIP LIMITED (07635395) - 05-Dec-22	Full accounts made up to 31 March 2022	Y
BIRMINGHAM MUNICIPAL HOUSING LIMITED (07021056) - 08-Dec-22	Accounts for a dormant company made up to 31 March 2022	N/A

BIRMINGHAM SETTLEMENT (THE) (01946604) - 16-Dec-22	Total exemption full accounts made up to 31 March 2022	Y
CENTRAL TECHNOLOGY BELT (04649812) - 16-Dec-22	Accounts for a small company made up to 31 March 2022	Y
ARDEN CROSS LIMITED (09948413) - 19-Dec-22	Accounts for a small company made up to 31 March 2022	Y
UNIQUE VENUES BIRMINGHAM LIMITED (10661257) - 21-Dec-22	Accounts for a small company made up to 31 March 2022	Y
BIRMINGHAM SCHOOLS SPC HOLDINGS PHASE 1A LTD (06915570) - 22-Dec-22	Group of companies' accounts made up to 31 December 2021	Y
FORWARD HOMES (BIRMINGHAM) LIMITED (09451223) - 22-Dec-22	Accounts for a dormant company made up to 31 March 2022	N/A
THE JEWELLERY QUARTER DEVELOPMENT TRUST CIC (07675188) - 29-Dec-22	Total exemption full accounts made up to 31 March 2022	N/A
BIRMINGHAM CITY PROPCO LIMITED (10989837) - 04-Jan-23	Accounts for a small company made up to 31 March 2022	Y
ERDINGTON TOWN CENTRE PARTNERSHIP (04428948) - 05-Jan-23	Total exemption full accounts made up to 5 April 2022	N/A
IKON GALLERY LIMITED (00902136) - 06-Jan-23	Group of companies' accounts made up to 31 March 2022	Y
BIRMINGHAM VOLUNTARY SERVICE COUNCIL (00421688) - 06-Jan-23	Group of companies' accounts made up to 31 March 2022	Y
RETAIL BIRMINGHAM LIMITED (06181225) - 06-Jan-23	Accounts for a small company made up to 31 March 2022	Y
BIRMINGHAM MUSEUMS TRADING LIMITED (04221635) - 06-Jan-23	Accounts for a small company made up to 31 March 2022	Y
BIRMINGHAM MUSEUMS TRUST (07737797) - 06-Jan-23	Group of companies' accounts made up to 31 March 2022	Y

3.4 Company Performance

A review of the material group company interests of the council is an ongoing process to understand current impacts, including Covid, 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 on the private agenda. The content of these reports will be reviewed to ensure they meet the needs of the Committee's terms of reference. As 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 Ltd

On 6 December 2022, Frontier Development Capital Ltd (FDC) was purchased by Mercia Asset Management Plc. They 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 having been gifted it on the creation of FDC. FDH is a wholly owned subsidiary of BCC, it will be subject to full UK tax, following which the company is expected to issue a dividend to BCC.

The receipt to FDH will be its share of an initial consideration of £5.5million, satisfied in cash plus an amount equal to FDC's net cash position (subject to certain adjustments) as at 30 November 2022 and estimated to be approximately c.£1.5million. 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.

FDC is a regionally focused lender to SMEs, with c.£415million of funds under management and has successfully built loan portfolios totaling c.100 companies, predominantly located across the Midlands and the North of England. As well as its Birmingham head office, FDC also has offices in Manchester and Bristol, two of Mercia's existing office locations.

Sue Summers, Chief Executive of Frontier Development Capital, commented in the press that "Mercia has long been a business we've admired. Our shared passion for helping some of the UK's most exciting SMEs to thrive through supportive capital, makes Mercia the natural partner of choice as we look to continue the growth we have experienced since launching in 2016."

3.6 Non-Executive Director Arrangements

In preparation for June Council re-appointments of director, trustees and observers to the council's group of companies, trusts and charities a review will take place of member and officer arrangements. This will include consideration of appropriate appointee role, skills, process and associated arrangements.

The nature and components of the review will be further discussed on the private agenda where committee views, recommendations and considerations will be sought.

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. Further 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) Paragraph 3.5 signposts a future dividend to the council arising from the sale of a subsidiary's shares in FDC. The detail and amount is indicated but will be confirmed only on receipt and against performance targets and subject to all UK tax considerations. Receipts of dividend are revenue receipts.

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