

Public Report

Birmingham City Council

Report to Cabinet Committee – Group Company Governance

12 November 2020



Subject: Company Update
Report of: Rebecca Hellard, Interim Chief Finance Officer
Relevant Cabinet Member: Councillor Brigid Jones
Relevant O &S Chair(s): Councillor Sir Albert Bore
Report author: Alison Jarrett

| | | |
|--------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------|
| 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 associated companies.

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 the changes in companies 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. ARDEN CROSS LIMITED (09948413) - 09-Sep-20 - Appointment of Ms Kathryn Elizabeth James as a director on 7 September 2020
2. CASTLE VALE NEIGHBOURHOOD PARTNERSHIP LIMITED (05140750) - 22-Sep-20 - Final Gazette dissolved via voluntary strike-off
3. GALLERY 37 FOUNDATION LTD (05846196):
 - a. 16-Sep-20 - Application to strike the company off the register
 - b. 29-Sep-20 - First Gazette notice for voluntary strike-off
4. IB (BIRMINGHAM) LIMITED (01623466) - 23-Sep-20 - Termination of appointment of Martin Kenneth Easton as a director on 22 September 2020
5. ERDINGTON TOWN CENTRE PARTNERSHIP (04428948) - 01-Oct-20 - Director's details changed for Mr Robert James Cambary Alden – change of documents service address.

3.3 Annual accounts have been submitted for the following companies:

| Company | | unqualified audit (where applicable) |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------|
| STOCKFIELD COMMUNITY ASSOCIATION (SUBSIDIARY) LIMITED (02624455) 24-Sep-20 | Accounts for a small company made up to 31 December 2019 | Y |
| STOCKFIELD COMMUNITY ASSOCIATION (02588109) 24-Sep-20 | Accounts for a small company made up to 31 December 2019 | Y |
| BIRMINGHAM AIRPORT DEVELOPMENTS LIMITED (02295119) 03-Oct-20 | Consolidated accounts of parent company for subsidiary company period ending 31/03/20 | Y - See note below |
| BIRMINGHAM AIRPORT DEVELOPMENTS LIMITED (02295119) 03-Oct-20 | Audit exemption subsidiary accounts made up to 5 April 2020 | n/a |
| BIRMINGHAM CITIZENS ADVICE BUREAU SERVICE | Accounts for a small company made up to 31 March 2020 | Y |

| | | |
|--------------------------------------------------------------|----------------------------------------------------------|---|
| LIMITED (02202427) 15-Oct-20 | | |
| COLMORE BUSINESS DISTRICT LIMITED (06731032) 29-Oct-20 | Accounts for a small company made up to 31 March 2020 | Y |

3.4 BIRMINGHAM AIRPORT DEVELOPMENTS LIMITED (02295119) – Consolidated Accounts.

The consolidated accounts are publicly available on the Companies House website. The auditors, Pricewaterhouse Coopers LLP report that there are no material misstatements within the accounts. They undertook additional work over a number of areas relating to the airport and its industry and were satisfied that the accounts were materially accurate. Whilst the accounts are not qualified, the auditor does draw the attention of the reader to a material uncertainty concerning going concern in relation to the company and the group. This is re-produced below.

Members are requested to note this item.

3.5

Material uncertainty related to going concern - Group and Company

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's and Company's ability to continue as a going concern. The Group has external debt facilities in the form of a £105 million corporate bond, £326 million of private placement loan notes, and a bank loan of £25 million. The terms of the debt agreements require the Group to comply each year with various covenant tests at 30 September and 31 March. In light of the outbreak of the Covid-19 pandemic, the directors have reached agreement for covenant requirements to be waived at 30 September 2020 and 31 March 2021, with an additional testing date of 30 June 2021 being introduced. The directors have prepared a base case forecast which indicates the Group would be able to meet its covenant tests at 30 June 2021. The directors of the Group have performed sensitivity analysis on the forecasts approved by the Board to assess the potential impact of severe but plausible downside scenarios. The Group forecasts to retain a satisfactory cash balance but will not comply with EBITDA-based covenant ratios unless passenger volumes and revenues recover quickly enough, as forecast in the downside scenarios. If this pace of recovery is not quick enough then a combination of a further waiver and shareholder support will be required to avoid a covenant breach or alternative funding will need to be secured, which is not certain. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

3.6 Covid-19

A review of the material group company interests of the council is an ongoing process to understand the impact of Covid-19 on their business plans and performance. This review was first undertaken over the initial weeks of lockdown and is refreshed as further information becomes available both nationally, within the industry categories and within each organisation. This review will continue to be updated and a snapshot reported to each meeting of the Group Company Governance Committee. Where an interest of the council is or may become materially impacted then that company will be invited to attend Group Company Governance Committee. 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.

To date, and in order to provide a detailed update to the Committee on the impact of Covid-19 on their business, the Birmingham Museums Trust and the Children's Trust have attended and Acivico Group are on today's agenda.

The detailed review contains commercially sensitive information that may impact on performance were it to be made public. A private appendix is presented on the private agenda.

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.

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