

BIRMINGHAM CITY COUNCIL

CABINET COMMITTEE - GROUP COMPANY GOVERNANCE

TUESDAY, 13 NOVEMBER 2018 AT 15:00 HOURS
IN COMMITTEE ROOM 2, COUNCIL HOUSE, VICTORIA SQUARE,
BIRMINGHAM, B1 1BB

A G E N D A

1 **APOLOGIES**

To receive any apologies.

2 **DECLARATIONS OF INTERESTS**

Members are reminded that they must declare all relevant pecuniary and non pecuniary interests arising from any business to be discussed at this meeting. If a disclosable pecuniary interest is declared a Member must not speak or take part in that agenda item. Any declarations will be recorded in the minutes of the meeting.

3 - 6

3 **NOTES OF THE LAST MEETING**

Notes of the last meeting to be confirmed.

4 **UPDATE ON TRAINING FOR COMPANY MEMBERS AND COMPANY DIRECTORS**

Update

7 - 24

5 **COUNCIL RELATED COMPANIES**

Report of the Corporate Director, Finance & Governance

25 - 46

6 **GROUP COMPANY - RISK REGISTER**

Report of the Corporate Director, Finance & Governance

47 - 54

7 **GROUP COMPANY - RISK ASSURANCE REQUEST**

Report of the Corporate Director, Finance & Governance

8 **GROUP COMPANY GOVERNANCE - SECTION 24 RECOMMENDATIONS**

Report of the Corporate Director, Finance & Governance

9 **ACIVICO LIMITED - PEN PORTRAIT**

Report of the Corporate Director, Finance & Governance

10 **SCHEDULE OF FUTURE MEETINGS**

To note the schedule of future Cabinet Committee Group Company Governance meetings as follows:-

2018

13 November - 1500 hours in Committee Room 2

12 December - 1000 hours in Committee Room 2

2019

16 January - 1100 hours in Committee Room 6

13 February - 1130 hours in Committee Room 6

13 March - 1100 hours in Committee Room 6

17 April - 1100 hours in Committee Room 1

11 **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman 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

P R I V A T E A G E N D A

13 **ACIVICO LIMITED - UPDATE AND BUSINESS PLAN**

Item Description

14 **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 Chairman are matters of urgency.

BIRMINGHAM CITY COUNCIL

CABINET COMMITTEE – GROUP COMPANY GOVERNANCE

**Tuesday 18 September 2018 at 1330
hours in Meeting Room 329, Council
House, Victoria Square, Birmingham**

Attendance:

Councillor Brigid Jones in the Chair;
Councillors Brett O'Reilly, Debbie Clancy and (Mike Ward – replaced Jon Hunt)

Also in Attendance:

Kate Charlton-	City Solicitor
Clive Heaphy-	Strategic Director
Connie Price -	Head of Service Birmingham
Georgina Dean-	Solicitor
Martin Stevens	Head of City Finance Accounts
Nigel Kletz	Director, Commissioning & Procurement
Marie Reynolds	Committee Services

1 APOLOGY

Councillor Jon Hunt submitted an apology.

2 DECLARATIONS OF INTERESTS

None.

3 MEMBERSHIP AND TERMS OF REFERENCE

The Membership of the Committee was noted:-

The Deputy Leader - Chair

Councillor Brigid Jones

Cabinet Member – Finance and Resources

Councillor Brett O'Reilly

Cross Party Representation

Councillor Debbie Clancy (Con)

Councillor Jon Hunt (Lib Dem)

TERMS OF REFERENCE

The following terms of reference was submitted:-

(See document No. 1)

Following a discussion it was:

RESOLVED:-

The Committee noted:-

- Membership of the Committee
- Terms of Reference and agreed to adopt with amendments
- The amended Terms of Reference to be re-circulated as soon as possible and shared with Entities.
- List of Companies to be submitted at the next meeting.
- Committee Members to receive training prior to the next meeting.
- Monthly Meetings
- Set future Work Programme

4 INFORMATION USED IN THE COMPILATION OF GROUP ACCOUNTS – PUBLIC

The following report of the Corporate Director, Finance and Governance was submitted:-

(See document No. 1)

Martin Stevens, Head of City Finance introduced the report which detailed the Council's Group Financial Statements for 2017/18.

RESOLVED:-

The Committee noted the report and considered any future report requirements.

5 DIRECTOR APPOINTMENTS/RESIGNATIONS

During the discussion the following points were captured:-

- Possible potential for BCC to create a Director pool
- Protocol for appointments
- Identify officers of certain grades – screening
- Processes put in place to obtain control of directorships
- Future monitoring of the number of directorships held by officers

RESOLVED:-

Recognised structure in place

List of directors of all boards.

6 TRAINING ARRANGEMENTS

During the discussion it was highlighted:-

3 training sessions – by external provider

Committee Members to receive training session prior to next meeting

Boards – receive appropriate training & updated accordingly.

Shared learning Information related to training:-

Nigel Kletz	– LGA Commercial
Kate Charlton	– Combined Authority – what training is taking place
	– Core cities – what training is taking place nationally
Connie Price	– Importance to ensure uniformity/accountable
Clive Heaphy	– Review Board effectiveness – pick up

RESOLVED:-

Committee to be updated at the next meeting.

7 FUTURE MEETINGS AND REPORTING ARRANGEMENTS

During the discussion relating to the work programme, it was suggested the following should be considered at the next meeting:-

Acivico (DCFM contract – paused) Full report to CMT – Oct 2018 – through this Committee see sight of this and options.

Redevelopment - Paradise Circus

Private and Public Joint venture

RESOLVED:-

Acivico - Deep Dives
Redevelopment Paradise Circus - Deep Dives
Full operational working programme for financial year
Business Plan of each of the Companies
Overview of Finance

PRIVATE AGENDA

8 INFORMATION USED IN THE COMPILATION OF GROUP ACCOUNTS – PRIVATE

The following report of the Corporate Director, Finance and Governance was submitted:-

(See document No. 2)

Martin Stevens, Head of City Finance introduced the report and made particular reference to the company information detailed in Appendix 1 of the report.

RESOLVED:-

The Committee noted the report and considered any future report requirements.

9 OTHER URGENT BUSINESS (EXEMPT INFORMATION)

None considered.

BIRMINGHAM CITY COUNCIL

PUBLIC

Report to:	CABINET COMMITTEE – GROUP COMPANY GOVERNANCE
Report of: Date of Decision:	Corporate Director, Finance & Governance 13 November 2018
SUBJECT:	COUNCIL RELATED COMPANIES
Key Decision: No	Relevant Forward Plan Ref:
If not in the Forward Plan: (please "X" box)	Chief Executive approved <input type="checkbox"/> O&S Chairman approved <input type="checkbox"/>
Relevant Cabinet Member(s) or Relevant Executive Member:	Councillor Brigid Jones – Deputy Leader
Relevant O&S Chairman:	Councillor Sir Albert Bore, Resources O&S Committee
Wards affected:	City Wide

1. Purpose of report:
<p>1.1 This report informs the Committee of the current composition of companies with which the Council has a relationship and which may fall within the scope of consolidation in the Council's Group financial statements.</p>

2. Decision(s) recommended:
<p>That the Committee:-</p> <p>2.1 Notes the detail of companies.</p> <p>2.2 Considers the impact on the forward plan of the Committee</p>

Lead Contact Officer(s):	Martin Stevens, Head of City Finance, Financial Accounts
Telephone No: E-mail address:	0121 303 4667 martin.stevens@birmingham.gov.uk
Lead Contact Officer(s):	Connie Price
Telephone No: E-mail address:	0121 303 3496 connie.price@birmingham.gov.uk

<p>3. Consultation</p> <p>3.1 <u>Internal</u> Officers in Finance & Legal have been consulted on the composition of the attached list.</p> <p>3.2 <u>External</u> None.</p>	<p>4. Compliance Issues:</p> <p>4.1 <u>Are the recommended decisions consistent with the Council's policies, plans and strategies?</u></p> <p>The purpose of the Cabinet Committee - Group Company Governance encompasses a role in ensuring that the business plans of individual companies align to the council's policy objectives.</p> <p>4.2 <u>Financial Implications</u> <u>(Will decisions be carried out within existing finance and Resources?)</u></p> <p>The Committee will have a role in reviewing the financial position of the Council's subsidiaries and associates and evaluating the financial risks and opportunities of their business plans. There are no financial implications associated with this report.</p> <p>4.3 <u>Legal Implications</u></p> <p>Section V of the Local Part V, Local Government and Housing Act 1989 enables the Council to trade or deliver certain of its functions through a company. Sections 93 & 95 of the Local Government Act 2003, empowers the Council to trade function-related activities through a wholly owned company.</p> <p>The Cabinet Committee will operate within the provisions of the Local Government Act 2000, which gives the Executive the power to appoint committees for the exercise of defined responsibilities and functions and in accordance with Article 5(d) of the City Council's Constitution.</p> <p>4.4 <u>Public Sector Equality Duty (see separate guidance note)</u></p> <p>None</p>
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5. Relevant background/chronology of key events:

- 5.1 In considering the extent of companies that the Council has a relationship with, there are those that have been set up by the Council where it has a clear defined legal control or significant influence over an entity. Such companies would be ones where the Council has a significant shareholding or where it is a member of a company limited by guarantee. However, the test of control for accounting purposes is distinct from that of legal control and there are a number of entities where the Council may be deemed as having control or significant influence over due to nomination rights for directors or trustees. An example of such a company would be one where the Council had nomination rights for 20% or more of the directors of a company board. The Council has to consider whether all of the above companies fall within its group boundary for consolidation into its Group financial statements.
- 5.2 When considering the consolidation of companies into the Council's Group Accounts, the issue of materiality must also be taken into account. The Council is required to produce its financial statements on the basis that they show a 'true and fair' view and that they are materially correct. Where the impact of an activity is not considered to be material to the overall financial statements then the activity may be ignored. However, the concept of materiality has to be considered both on the individual impact of an activity and also the cumulative impact of like activities. Therefore, the Council cannot exclude from consolidation those companies that are considered immaterial to the whole if the cumulative impact of their exclusion would be material. Materiality is not just measured in financial terms as there may be activities that are relatively small but which are considered material because of interest in their activity.
- 5.3 Attached at appendix 1 is a schedule of companies in which the Council has an interest, either through its creation, a shareholding or representation on the board of the organisation. Each relationship has to be tested to determine the extent of the Council's control, if any.
- 5.4 Attached at appendix 2 is a list of companies with details of the Council's nominated representatives and at appendix 3, a list of the Council's nominated representatives by company.

5.4 Changes in Companies in 2017/18

The Council has set up the following companies this financial year:

- Birmingham Children's Trust Limited
- Port Loop Estates Management Limited

The Council disposed of its shares in Innovation Birmingham Limited with the sale being completed in April 2018.

6. Evaluation of alternative option(s):

6.1 Not applicable

7. Reasons for Decision(s):

7.1 To note the changes to the list of companies in which the city council has a financial interest

Signature**Date**

Clive Heaphy, Corporate
Director – Finance &
Governance

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List of Background Documents used to compile this Report:

None

List of Appendices accompanying this Report (if any):

1. Companies in which Birmingham City Council has a financial interest
2. Companies with list of Council appointed by Directors
3. Council appointed Directors with list of their appointments

Companies in which Birmingham City Council has a Financial and/or Controlling Interest as at November 2018

Appendix 1

<u>Company Name</u>	<u>BCC interest</u>		<u>Type of Entity</u>
<u>Subsidiaries – Consolidated into the Group</u>			
Acvico Ltd	100%		Company – Limited by shares
Acivico (Building Consultancy) Ltd		Subsidiary of Acivico Ltd	
Acivico (Design, Construction & Facilities Management) Ltd		Subsidiary of Acivico Ltd	
Birmingham Children's Trust Ltd	Sole Member	Community Interest Company	Company – Limited by guarantee
Birmingham City Propco Ltd	100%		Company – Limited by shares
InReach (Birmingham) Ltd	100%		Company – Limited by shares
National Exhibition Centre (Developments) PLC	100%		Company – Limited by shares
PETPS (Birmingham) Ltd	Sole Member		Company – Limited by guarantee
PETPS (Birmingham) Capital Ltd	100%		Company – Limited by shares
PETPS (Birmingham) General Partner Ltd	100%		Company – Limited by shares
PETPS (Birmingham) Pension Funding Scottish Limited Partnership	50%		Limited Partnership

Companies in which Birmingham City Council has a Financial and/or Controlling Interest as at November 2018**Appendix 1**

<u>Company Name</u>	<u>BCC interest</u>	<u>Type of Entity</u>
<u>Associates – Consolidated into the Group</u>		
Birmingham Airport Holdings Ltd	19%	Company – Limited by shares
BHX (Scotland) Ltd		Subsidiary of Birmingham Airport Holdings Ltd
BHX Fire & Rescue Ltd		Subsidiary of Birmingham Airport Holdings Ltd
BHX Limited Partnership		Subsidiary of Birmingham Airport Holdings Ltd
Birmingham Airport Developments Ltd		Subsidiary of Birmingham Airport Holdings Ltd
Birmingham Airport Finance PLC		Subsidiary of Birmingham Airport Holdings Ltd
Birmingham Airport Ltd		Subsidiary of Birmingham Airport Holdings Ltd
Birmingham Airport Operations Ltd		Subsidiary of Birmingham Airport Holdings Ltd
Birmingham Airport Pension Trustees Ltd		Subsidiary of Birmingham Airport Holdings Ltd
Birmingham Airport Services Ltd		Subsidiary of Birmingham Airport Holdings Ltd
Birmingham Airport Traffic Ltd		Subsidiary of Birmingham Airport Holdings Ltd
Euro-Hub (Birmingham) Ltd		Subsidiary of Birmingham Airport Holdings Ltd
First Castle Developments Ltd		Subsidiary of Birmingham Airport Holdings Ltd

Companies in which Birmingham City Council has a Financial and/or Controlling Interest as at November 2018

Appendix 1

<u>Company Name</u>	<u>BCC interest</u>		<u>Type of Entity</u>
<u>Joint Venture - Consolidated into the Group</u>			
Paradise Circus General Partner Limited	50%		Company - Limited by shares
Paradise Circus Management Company Ltd		Subsidiary of PCGP LTD	Company – Limited by guarantee
Paradise Circus Nominee 1 Ltd		Subsidiary of PCGP LTD	Company – Limited by shares
Paradise Circus Nominee 2 Ltd		Subsidiary of PCGP LTD	Company – Limited by shares
Paradise Circus Limited Partnership	50%		Partnership – Limited partnership

Companies in which Birmingham City Council has a Financial and/or Controlling Interest as at November 2018

Appendix 1

<u>Company Name</u>	<u>BCC interest</u>		<u>Type of Entity</u>
<u>Subsidiaries – not consolidated on grounds of materiality or control</u>			
Birmingham Charities Ltd	Sole Member		Company – Limited by guarantee
Birmingham Curzon Regeneration Company	100%		Company – Limited by shares
Birmingham Endeavour Ltd	100%		Company – Limited by shares
Birmingham Municipal Housing Ltd	100%		Company – Limited by shares
Birmingham Museums Trust Ltd	Sole Member		Company – Limited by guarantee
Birmingham Museums Trading Ltd		Subsidiary of Birmingham Museums Trust Ltd	Company – Limited by shares
Birmingham Venture Capital Ltd	100%		Company – Limited by shares
Birmingham Wheels Ltd	1 representative		Company – Limited by guarantee
Birmingham Wheels (Enterprises) Ltd	50%		Company – Limited by shares
Birmingham Wholesale Market Company Ltd	50%		Company – Limited by shares
Creative Advantage West Midlands Ltd	50%		Company – Limited by shares
Finance Birmingham Ltd	100%		Company – Limited by shares
Forward Homes (Birmingham) Ltd	100%		Company – Limited by shares
Frontier Development Holdings Ltd	100%		Company – Limited by shares
Frontier Development Capital Ltd	1 representative	Subsidiary of Frontier Development Holdings Ltd	
Gallery 37 Foundation	80%		Company – Limited by guarantee
GBS Finance Ltd	100%		Company – Limited by shares
Inceptum Developments Ltd	50%		Company – Limited by shares
Icknield Port Loop LLP	50%		Limited Partnership
LSB Law Ltd	100%		Company – Limited by shares
Performances Birmingham (Enterprises) Ltd	100%		Company – Limited by shares
Performances Birmingham Ltd	Sole Member		Company – Limited by guarantee
Thinktank Trust	Sole Member		Company – Limited by guarantee

Companies in which Birmingham City Council has a Financial and/or Controlling Interest as at November 2018

Appendix 1

<u>Company Name</u>	<u>BCC interest</u>		<u>Type of Entity</u>
<u>Associates – not consolidated on grounds of materiality or control</u>			
<u>Investments through Finance Birmingham</u>			
Ascension Venture Holdings Ltd	20% to 50%		Company – Limited by shares
Ascension Ventures Ltd		Subsidiary of Ascension Venture (Holdings) Ltd	
Auctus Management Group Ltd	32%		Company – Limited by shares
Big Button Holdings Ltd	20%		Company – Limited by shares
IB (Birmingham) Ltd	100%		Company – Limited by guarantee
Millenium Point Trust Ltd	2 representatives		Company – Limited by guarantee
Millenium Point Property Ltd	1 representative	Subsidiary of Millenium Point Trust Ltd	Company – Limited by shares
Mutt Motorcycles Ltd	20%		Company – Limited by shares
Obillex Ltd	21%		Company – Limited by shares
<u>Non Finance Birmingham Investments</u>			
CSR Ltd	33%		Company – Limited by shares

Companies in which Birmingham City Council has a Financial and/or Controlling Interest as at November 2018**Appendix 1**

<u>Company Name</u>	<u>BCC interest</u>	<u>Type of Entity</u>
<u>Minor Interests - not consolidated on grounds of materiality or control</u>		
<u>Investment through Finance Birmingham</u>		
Ascarii Ltd	15%	Company – Limited by shares
Aston Eyetech Ltd	4%	Company – Limited by shares
Big Button Media Ltd	11%	Company – Limited by shares
Crowd Technologies	8%	Company – Limited by shares
Foodient Ltd (also known as Whisk)	<1%	Company – Limited by shares
Format Zone Ltd	15%	Company – Limited by shares
Goodfish Ltd	0%	Company – Limited by shares
Info-Ctrl Ltd	0%	Company – Limited by shares
Learning Labs	13%	Company – Limited by shares
Natural HR Ltd	5%	Company – Limited by shares
Opinsta Ltd (previously Closed Questions)	16%	Company – Limited by shares
Owned IT	<1%	Company – Limited by shares
Vision Technologies Ltd	9%	Company – Limited by shares
Wetakestock Ltd	8%	Company – Limited by shares

Companies in which Birmingham City Council has a Financial and/or Controlling Interest as at November 2018

Appendix 1

<u>Company Name</u>	<u>BCC interest</u>		<u>Type of Entity</u>
<u>Minor Interests - not consolidated on grounds of materiality or control</u>			
4 Towers TMO Ltd	100%		Industrial & Provident Society
Acocks Green Village BID Company Ltd	1 representative		Company – Limited by guarantee
Birmingham Citizen's Advice Bureau Service Ltd	2 representatives		Company – Limited by guarantee
Birmingham Disability Resource Centre	1 representative		Company – Limited by guarantee
Birmingham Hippodrome Theatre Trust Ltd	2 representatives		Company – Limited by shares
Birmingham LEP Company Ltd	10%		Company – Limited by shares
Birmingham Repertory Theatre Ltd (The)	2 representatives		Company – Limited by shares
Unique Venues Birmingham Ltd	2 representatives	Subsidiary of Birmingham Repertory Theatre Ltd	Company – Limited by shares
Birmingham Research Park Ltd	1 representative		Company - Limited by shares
Birmingham Royal Ballet	1 representative		Company – Limited by guarantee
Birmingham Settlement (The)	2 representatives		Company – Limited by guarantee
Birmingham Schools SPC Holdings Phase 1A Ltd	1 representative		Company – Limited by shares
Birmingham Schools SPC Holdings Phase 1B Ltd	1 representative		Company – Limited by shares
Birmingham Schools SPC Phase 1A Ltd	1 representative		Company – Limited by shares
Birmingham Schools SPC Phase 1B Ltd	1 representative		Company – Limited by shares
Birmingham Voluntary Services Council	2 representatives		Company – Limited by guarantee
Bridge Street Management Ltd	8%		Company – Limited by shares
Castle Vale Neighbourhood Partnership Ltd	1 representative		
Central Technology Belt	1 representative		Company – Limited by guarantee
City of Birmingham Symphony Orchestra	2 representatives		Company – Limited by guarantee
Colmore Business District	3 representatives		Company – Limited by guarantee
Commonwealth Games CIC	1 representative		Company – Limited by guarantee
Erdington Town Centre Partnership	1 representative		
Ex Cathedra Ltd	1 representative		Company – Limited by guarantee
Greater Birmingham & Solihull LEP Partnership (The)	2 representatives		Company – Limited by guarantee

Companies in which Birmingham City Council has a Financial and/or Controlling Interest as at November 2018

Appendix 1

<u>Company Name</u>	<u>BCC interest</u>		<u>Type of Entity</u>
Ikon Gallery Ltd	1 representative		Company - Limited by guarantee
Jewellery Quarter Development Trust C.I.C.	2 representatives		Company - Limited by guarantee
Kings Heath Business Improvement District	1 representative		Company - Limited by guarantee
Manor Close Residents Management Organisation Ltd	100%		Company – Limited by guarantee
Midland Arts Centre	2 representatives		Company – Limited by guarantee
NEC Pension Trustee Company Ltd	100%	Subsidiary of PETPS (Birmingham) Ltd	Company – Limited by guarantee
NEC Pension Trustee Company No. 2 Ltd	100%	Subsidiary of PETPS (Birmingham) Ltd	Company – Limited by shares
Northfield Town Centre BID Ltd	2 representatives		Company – Limited by guarantee
Port Loop Estate Management Ltd	1 representative		Company – Limited by guarantee
Pure Business Services Ltd	15%		Company – Limited by shares
Retail Birmingham Ltd	2 representatives		Company – Limited by guarantee
Roman Way Estate C.I.C.	100%		Company – Limited by guarantee
S4E Ltd	1 representative		Company – Limited by guarantee
Soho Road BID C.I.C.	1 representative		Company – Limited by guarantee
Southside Business District Ltd	4 representatives		Company – Limited by guarantee
St. Basil's	1 representative		Company – Limited by guarantee
Stockfield Community Association	2 representatives		Company – Limited by guarantee
Stockfield Community Association (Subsidiary) Ltd	2 representatives		
Sutton Coldfield Town Centre BID	2 representatives		Company – Limited by guarantee
UK Municipal Bonds Agency PLC	3%		Company – Limited by shares
Veolia ES Birmingham Ltd	<1%		Company – Limited by shares
West Midlands Arts Trust	2 representatives		Company – Limited by guarantee
West Midlands Growth Company	2 representatives		Company – Limited by guarantee
West Midlands Rail Ltd	1 representative		Company – Limited by guarantee
Westside Partnership Ltd	1 representative		Company – Limited by guarantee
Witton Lodge Community Association	2 representatives		Company – Limited by guarantee
WLCA Enterprises Ltd			Company – Limited by shares

Companies in which Birmingham City Council has a Financial and/or Controlling Interest as at November 2018

Appendix 1

<u>Company Name</u>	<u>BCC interest</u>	<u>Type of Entity</u>
Workers Education Association	1 representative	Company – Limited by guarantee
Yardley Great Trust (charity)	3 representatives	Charity

Appendix 2

Company	Director	Status
Acivico (Building Consultancy) Ltd	Frederick Grindrod	Councillor
	Kenneth Wood	Councillor
	Peter Griffiths	Councillor
Acivico (Design, Construction and Facilities Management) Ltd	Frederick Grindrod	Councillor
	Kenneth Wood	Councillor
	Peter Griffiths	Councillor
Acivico Ltd	Frederick Grindrod	Councillor
	Kenneth Wood	Councillor
	Peter Griffiths	Councillor
Acocks Green Village BID Company	John O'Shea	Councillor
Birmingham Airport Holdings Ltd	Paul Tilsley	Councillor
	Tristan Chatfield	Councillor
	Waheed Nazir	Officer
	Waseem Zaffar	Councillor
Birmingham Charities Ltd	Alison Jarrett	Officer
	John Barr	Officer
	Martin Stevens	Officer
Birmingham City Propco Ltd	John Barr	Officer
	Waheed Nazir	Officer
Birmingham Curzon Regeneration Company Ltd	Richard Cowell	Officer
Birmingham Endeavour Limited	Alison Jarrett	Officer
Birmingham Municipal Housing Ltd	Clive Skidmore	Officer
Birmingham Museums Trust Ltd	Muhammad Afzal	Councillor
	Randall Brew	Councillor
Birmingham Repertory Theatre Ltd (The)	Gary Sambrook	Councillor
Birmingham Schools SPC Holdings Phase 1A Ltd	Jaswinder Didially	Officer
Birmingham Schools SPC Holdings Phase 1B Ltd	Jaswinder Didially	Officer
Birmingham Schools SPC Phase 1A Ltd	Jaswinder Didially	Officer
Birmingham Schools SPC Phase 1B Ltd	Jaswinder Didially	Officer
Birmingham Settlement (The)	John Cotton	Councillor
Birmingham Venture Capital Ltd	Alison Jarrett	Officer
	Karen Price	Officer
Birmingham Wholesale Market Company Ltd	Ian Chaplin	Officer
	Jacqueline Kennedy	Officer
	Kathryn James	Officer
Central Technology Belt	Randall Brew	Councillor
City of Birmingham Symphony Orchestra	Alex Yip	Councillor
	Sir Albert Bore	Councillor
Colmore Business District Ltd	Brigid Jones	Councillor
	Sir Albert Bore	Councillor
Commonwealth Games (Birmingham) CIC	Ian Ward	Councillor
CSR City Limited	John Clancy	Councillor
	Sir Albert Bore	Councillor
Erdington Town Centre Partnership	Robert Alden	Councillor
Finance Birmingham Ltd	Alison Jarrett	Officer
Forward Homes (Birmingham) Ltd	Clive Skidmore	Officer
Frontier Development Holdings Ltd	Clive Heaphy	Officer
Gallery 37 Foundation	Alberta Waddington	Former Councillor
	Barry Bowles	Former Councillor
	Emma Leaman	Former Officer
	Valerie Birchall	Former Officer
GBS Finance Ltd	Alison Jarrett	Officer
Greater Birmingham And Solihull Local Enterprise Partnership Limited (The)	Brigid Jones	Councillor
	Ian Ward	Councillor
IB (Birmingham) Ltd	Martin Easton	Officer
	Martin Stevens	Officer
Icknield Port Loop LLP	Birmingham City Council	Entity
Ikon Gallery Limited	Tristan Chatfield	Councillor
InReach (Birmingham) Limited	Clive Skidmore	Officer
Midland Arts Centre	Martin Straker-Welds	Councillor
	Matthew Bennett	Councillor
Millennium Point Trust Ltd	Karen McCarthy	Councillor
	Paul Tilsley	Councillor
National Exhibition Centre (Developments) PLC (The)	Clive Heaphy	Officer
	Martin Easton	Officer

Company	Director	Status
NEC Pension Trustee Company No 2 Limited	Alison Jarrett	Officer
Northfield Town Centre BID Ltd	Edwin Freeman	Councillor
Obillex Ltd	Alison Jarrett	Officer
Paradise Circus General Partner Ltd	Kathryn James	Officer
Paradise Circus Management Company Ltd	Waheed Nazir	Officer
	Kathryn James	Officer
	Waheed Nazir	Officer
Paradise Circus Nominee 1 Ltd	Kathryn James	Officer
	Waheed Nazir	Officer
Paradise Circus Nominee 2 Ltd	Kathryn James	Officer
	Waheed Nazir	Officer
Performances Birmingham Ltd	Alexander Aitken	Councillor
	Ewan Mackey	Councillor
PETPS (Birmingham) Capital Limited	Clive Heaphy	Officer
PETPS (Birmingham) General Partner Limited	Martin Stevens	Officer
	Clive Heaphy	Officer
	Martin Stevens	Officer
PETPS (Birmingham) Ltd	Clive Heaphy	Officer
	Martin Stevens	Officer
Port Loop Estate Management Ltd	Kathryn James	Officer
Southside Business District Ltd	Penny Holbrooke	Councillor
Stockfield Community Association	John O'Shea	Councillor
	Natalie Potter	Officer
Stockfield Community Association (Subsidiary) Ltd	John O'Shea	Councillor
	Natalie Potter	Officer
Sutton Coldfield Town Centre BID	Ewan Mackey	Councillor
Unique Venues Birmingham Ltd	Guy Olivant	Officer
West Midlands Growth Company Limited	Ian Ward	Councillor
West Midlands Rail Limited	Ian Ward	Councillor
	Stewart Stacy	Former Councillor
	Sir Albert Bore	Councillor
Westside Partnership Ltd	Waseem Zaffar	Councillor
	Robert Beauchamp	Councillor
Witton Lodge Community Association	Robert Beauchamp	Councillor
WLCA Enterprises Ltd	Robert Beauchamp	Councillor

Status	Director	Company
Councillor	Alex Yip	City of Birmingham Symphony Orchestra
	Alexander Aitken	Performances Birmingham Ltd
	Brigid Jones	Colmore Business District Ltd
		Greater Birmingham And Solihull Local Enterprise Partnership Limited (The)
	Edwin Freeman	Northfield Town Centre BID Ltd
	Ewan Mackey	Performances Birmingham Ltd
		Sutton Coldfield Town Centre BID
	Frederick Grindrod	Acivico (Building Consultancy) Ltd
		Acivico (Design, Construction and Facilities Management) Ltd
		Acivico Ltd
	Gary Sambrook	Birmingham Repertory Theatre Ltd (The)
	Ian Ward	Commonwealth Games (Birmingham) CIC
		Greater Birmingham And Solihull Local Enterprise Partnership Limited (The)
		West Midlands Growth Company Limited
		West Midlands Rail Limited
	John Clancy	CSR City Limited
	John Cotton	Birmingham Settlement (The)
	John O'Shea	Acocks Green Village BID Company
		Stockfield Community Association
		Stockfield Community Association (Subsidiary) Ltd
	Karen McCarthy	Millennium Point Trust Ltd
	Kenneth Wood	Acivico (Building Consultancy) Ltd
		Acivico (Design, Construction and Facilities Management) Ltd
		Acivico Ltd
Former Councillor	Martin Straker-Welds	Midland Arts Centre
	Matthew Bennett	Midland Arts Centre
	Muhammad Afzal	Birmingham Museums Trust Ltd
	Paul Tilsley	Birmingham Airport Holdings Ltd
		Millennium Point Trust Ltd
	Penny Holbrooke	Southside Business District Ltd
	Peter Griffiths	Acivico (Building Consultancy) Ltd
		Acivico (Design, Construction and Facilities Management) Ltd
		Acivico Ltd
	Randall Brew	Birmingham Museums Trust Ltd
		Central Technology Belt
	Robert Alden	Erdington Town Centre Partnership
	Robert Beauchamp	Witton Lodge Community Association
		WLCA Enterprises Ltd
	Sir Albert Bore	City of Birmingham Symphony Orchestra
		Colmore Business District Ltd
		CSR City Limited
		Westside Partnership Ltd
	Tristan Chatfield	Birmingham Airport Holdings Ltd
		Ikon Gallery Limited
	Waseem Zaffar	Birmingham Airport Holdings Ltd
		Westside Partnership Ltd
Officer	Alberta Waddington	Gallery 37 Foundation
	Barry Bowles	Gallery 37 Foundation
	Stewart Stacy	West Midlands Rail Limited
	Alison Jarrett	Birmingham Charities Ltd
		Birmingham Endeavour Limited
		Birmingham Venture Capital Ltd
		Finance Birmingham Ltd
		GBS Finance Ltd
		NEC Pension Trustee Company No 2 Limited
		Obillex Ltd
	Clive Heaphy	Frontier Development Holdings Ltd
		National Exhibition Centre (Developments) PLC (The)
		PETPS (Birmingham) Capital Limited
		PETPS (Birmingham) General Partner Limited
		PETPS (Birmingham) Ltd
	Clive Skidmore	Birmingham Municipal Housing Ltd
		Forward Homes (Birmingham) Ltd
		InReach (Birmingham) Limited
	Guy Olivant	Unique Venues Birmingham Ltd

Status	Director	Company
	Ian Chaplin	Birmingham Wholesale Market Company Ltd
	Jacqueline Kennedy	Birmingham Wholesale Market Company Ltd
	Jaswinder Didiaily	Birmingham Schools SPC Holdings Phase 1A Ltd
		Birmingham Schools SPC Holdings Phase 1B Ltd
		Birmingham Schools SPC Phase 1A Ltd
		Birmingham Schools SPC Phase 1B Ltd
	John Barr	Birmingham Charities Ltd
		Birmingham City Propco Ltd
	Karen Price	Birmingham Venture Capital Ltd
	Kathryn James	Birmingham Wholesale Market Company Ltd
		Paradise Circus General Partner Ltd
		Paradise Circus Management Company Ltd
		Paradise Circus Nominee 1 Ltd
		Paradise Circus Nominee 2 Ltd
		Port Loop Estate Management Ltd
	Martin Easton	IB (Birmingham) Ltd
		National Exhibition Centre (Developments) PLC (The)
	Martin Stevens	Birmingham Charities Ltd
		IB (Birmingham) Ltd
		PETPS (Birmingham) Capital Limited
		PETPS (Birmingham) General Partner Limited
		PETPS (Birmingham) Ltd
	Natalie Potter	Stockfield Community Association
		Stockfield Community Association (Subsidiary) Ltd
	Richard Cowell	Birmingham Curzon Regeneration Company Ltd
	Waheed Nazir	Birmingham Airport Holdings Ltd
		Birmingham City Propco Ltd
		Paradise Circus General Partner Ltd
		Paradise Circus Management Company Ltd
		Paradise Circus Nominee 1 Ltd
		Paradise Circus Nominee 2 Ltd
Former Officer	Emma Leaman	Gallery 37 Foundation
	Valerie Birchall	Gallery 37 Foundation
Entity	Birmingham City Council	Icknield Port Loop LLP

BIRMINGHAM CITY COUNCIL**PUBLIC REPORT**

Report to:	CABINET COMMITTEE – GROUP COMPANY GOVERNANCE
Report of:	Corporate Director – Finance & Governance
Date of Decision:	13 November 2018
Subject:	Group Company – Risk Register
Wards affected: All	
1 Purpose	
1.1	To provide Members with information on the management of risks and issues within entities linked to the Council.
1.2	Members are asked to consider the potential risks that the Council faces and the actions being undertaken to mitigate the impact of those risks.
2 Decisions recommended:	
	Members are recommended to:
2.1	Consider the information provided
2.2	Determine whether the judgement on the risks are reasonable and assess whether mitigating actions reduce the risks to the Council sufficiently.

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Contact Officer: Martin Stevens
Telephone No: 0121 303 4667
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3 Compliance Issues:

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The Council operates and delivers services through a number of different vehicles. The Council needs to consider the risks of delivering through arms-length arrangements so that Council policies can continue to be implemented.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
The Section 151 Officer has a duty to ensure the proper administration of the Council's affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.
- 3.4 Will decisions be carried out within existing finances and resources?
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
This report considers the main risks that the Council faces as a result of its operation through and partnership arrangements with external organisations. The report sets out the actions being taken to mitigate those risks.

4 Relevant background/chronology of key events:

- 4.1 The Council has created a number of arms-length entities to:
- assist in the provision of cost-effective service delivery,
 - provide a focussed vehicle for achieving Council aims and objectives,
 - mitigate the short term impact of specific funding requirements.
- 4.2 The Council has also entered into partnership arrangements with third parties through collaboration agreements or through nomination of directors/trustees to boards. Each arrangement carries certain risks that the Council needs to consider and mitigate to ensure that there are no/limited adverse outcomes.
- 4.3 In his Audit Findings Report, the external auditor identified that the financial position of companies and the Council's liability for their liabilities has not been well understood or reported by the Council. The external auditor went on further to state that the Council had not always had sufficient accurate information upon which to make decisions relating to the companies created in order to mitigate risk and that governance arrangements had not been adequate to enable companies' activities to be monitored. The external auditor's concerns were such that he included a specific recommendation within the recommendations issued under Section 24 of the Local Audit and

Accountability Act 2014 that were considered by Council on 11 September 2018. The auditor's recommendation in respect of companies was that the Council needs to:

"ensure that appropriate arrangements are implemented in relation to the Council's subsidiary bodies, including regular financial reporting and Council representation on subsidiary body boards, to ensure that emerging risks are monitored, reported and managed promptly."

- 4.4 The initial range of risks has been identified through officers co-ordinating the Council's activities with third party organisations. Further updates to the risk register will include comments from company contact officers and from the risks identified when authorisation for the creation of companies is confirmed. The proposal is to embed the identification of risk and any mitigating actions into the working relationship with partners.
- 4.5 The risks identified have been assessed under two criteria, Likelihood and Impact. Each criterion has then been ranked as to whether they are Low, Medium, Significant or High Risk. Recognising that risk can never be completely eliminated the desired outcome from mitigating actions has been identified to assess the level of risk that the Council is willing to bear.
- 4.6 The risks borne by the Council will vary from company to company dependent on the Council's relationship with an entity, for example, where a company is:
- a wholly owned subsidiary, the risks and impacts will translate fully through to the Council,
 - an associate, where the Council has generally between 20% and 50% control, the risks and impacts will be shared between owning entities, and
 - is related through Council nomination rights, there may be little financial impact on the Council.
- 4.7 However, in all cases where the Council is in an arrangement with a third party, there may be significant reputational risks to the Council, councillors or officers where an adverse event occurs. Therefore the Council needs to consider the potential risks from all entities to ensure that any adverse implications can be minimised.
- 4.8 Details of the current identified risks and associated actions in mitigation are set out in Appendix 1 to this report.

Signature:

.....
Clive Heaphy, Corporate Director – Finance & Governance

Appendix

Appendix 1 – Risk Register

Appendix 1

No		Status
G-01	Nominated Directors do not have sufficient skills to fulfil their roles within a third party whilst also representing the Council's interests.	Open
G-02	Council nominated Directors fail to attend meetings	Open
G-03	A company fails to file appropriate returns with Companies House	Open
G-04	Observers at meetings act inappropriately	Open
G-05	A company fails to operate within the terms of its Articles of Association	Open
G-06	The potential of a fraud taking place within a company	Open
G-07	Failure to comply with the requirements of GDPR	Open
G-08	Failure to provide information for consolidation in group accounts	Open
G-09	The Council is considered to have significant influence over a company through its nomination rights	Open
G-10	A company does not have appropriate insurance covers in place	Open
F-01	A company requires support from the Council to remain a going concern	Open
F-02	The council does not arrange its tax affairs to minimise its level of corporation tax.	Open
F-03	A company provides guarantees/indemnities to a third party	Open
F-04	Movement away from the Council's terms and conditions of employment	Open
F-05	A company does not recognise that it is a controlled company for the determination of the Apprenticeship Levy	Open
F-06	A company does not have a viable business plan/budget	Open
R-01	Company does not follow the principles of public service	Open
C-01	A company fails to provide appropriate levels of service	Open

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
G-01	Nominated Directors do not have sufficient skills to fulfil their roles within a third party whilst also representing the Council's interests.	Corporate Director F&G	Significant/ High	<p>The role as a director of a company carries certain onerous obligations and there may be consequences to an individual if they do not fulfil their role appropriately. This may also have implications for the Council, both reputationally and financially.</p> <p>It is important that Directors demonstrate specific skills and knowledge and there should therefore be specific criteria for the selection of appropriate candidates and they should receive the necessary information to enable them to fulfil their duties in their role as Director.</p> <p>Action: Procedure to be agreed for the selection of Directors to be appointed by the Council.</p> <p>Directors to receive training on their personal responsibilities in their role within a company. Training has been provided for members of the Group Company Governance Committee and this will be cascaded to all current Directors and those who may fulfil the role in the future.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: Criteria to be considered by Group Company Governance Committee for the selection of appropriate individuals to act as Directors by December 2018.</p> <p>Training to be cascaded to Directors from November 2018</p> <p>Source of Assurance: Directors should be required to record meetings invited to and those that they attend. This should be provided on a regular basis to the Council.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
G-02	Council nominated Directors fail to attend meetings	Contact Officer	Low/ Significant	<p>Directors have specific responsibilities in the management and operation of a company to ensure that it operates in accordance with its Articles of Association and that it trades solvently. If a Director does not attend appropriate meetings then they may be considered to have acted negligently in the exercise of their duties.</p> <p>Action: It is essential that Directors receive training on their personal responsibilities in their role within a company. Training has been provided for members of the Group Company Governance Committee and this will be cascaded to all current Directors and those who may be fulfil the role in the future.</p> <p>Training will have to be provided on an ongoing basis to ensure new councillors or officers who are asked to take on the role of a director are adequately trained.</p> <p>A system of recording Director attendance should be created to monitor attendance at meetings.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: Training to be cascaded to Directors from November 2018</p> <p>Source of Assurance: Directors should be required to record meetings invited to and those that they attend. This should be provided on a regular basis to the Council.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
G-03	A company fails to file appropriate returns with Companies House	Company Directors Contact Officer	Low/ Significant	<p>Failure to file accounts or annual returns is a criminal offence. The filing of late accounts automatically generates a late notice penalty, which rises from £150 if up to 1 months late to £1,500 if more than 6 months late. Repeat offences receive a higher fine. A Director can end up with a criminal record and a fine of up to £5,000 for each violation.</p> <p>It is recognised that there may be a higher level of competency in Directors with specific backgrounds, for example, those with legal or financial qualifications, and consequently their penalties/sanctions may be higher.</p> <p>The failure to provide returns on a timely basis may be indicative of performance issues which may not have been detected.</p> <p>Action: It is essential that Directors receive training on their personal responsibilities in their role within a company. Training has been provided for members of the Group Company Governance Committee and this will be cascaded to all current</p>	<p>Target Risk Rating: Low/Medium</p> <p>Anticipated date of attainment: Training to be cascaded to Directors from November 2018</p> <p>Maintenance of recording database to be implemented by November 2018</p> <p>Source of Assurance: Responses from company secretaries Review of information held on Companies House</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
				<p>Directors and those who may be fulfil the role in the future.</p> <p>Training will have to be provided on an ongoing basis to include new councillors or officers who are asked to take on the role of a director.</p> <p>The Council will also monitor each of its companies so that confirmation can be sought from companies that they have met the relevant filing date.</p>	
G-04	Observers at meetings act inappropriately	Meeting Observers	Low/ Significant	<p>There is a difference in the roles of Director and Observer. Whilst a Director's role is defined, an Observer should not be part of the running of a company. They should attend meetings to view the activity of the Board and ask/answer questions for information if invited to do so.</p> <p>There is the potential for an Observer to comment at Board meetings which may be seen as issuing guidance. Where an Observer influences a company to take actions then they may be seen as acting as a Shadow Director and bear the same consequences as though they were a</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: Training to be cascaded to Directors by November 2018</p> <p>Source of Assurance: Record of those undertaking training. Attendance at Board meetings as an Observer should be formally fed back to appropriate management within the Council.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
				<p>Director of a company.</p> <p>Action: Observers at meetings should receive training on the same basis as Directors so that they understand the difference between the two roles.</p> <p>Training will have to be provided on an ongoing basis to include new councillors or officers who are asked to take on the role of observer.</p>	
G-05	A company fails to operate within the terms of its Articles of Association	Contact Officer	Low/ Medium	<p>The Articles of Association (AoA) regulates the way that a company is administered. If actions are taken that are outside of the AoA then they may be declared illegal by the courts.</p> <p>Action: As part of the training provided to Directors it should include the powers that a company has to undertake certain activities and any constraints on those activities.</p> <p>Training will have to be provided on an ongoing basis to include new councillors or officers who are asked</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: Training to be cascaded to Directors by November 2018</p> <p>Source of Assurance: Record maintained of those undertaking training.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
				to take on the role of Director.	
G-06	The potential of a fraud taking place within a company	Corporate Director F&G	Low/High	<p>Inherent within any organisation is the risk of fraud taking place. Within organisations it is usual for a series of checks and balances to be put in place to ensure that the opportunities for fraud are minimised.</p> <p>Directors carry out two main roles to deter fraud in that they should ensure that management has put in place appropriate controls that minimise the opportunity for fraud and that any frauds that are perpetrated are reported to the Board for consideration, which would include identification of additional controls to stop such episodes recurring.</p> <p>Action: For the larger companies that are to be consolidated within the Council's Group Accounts a questionnaire is sent out annually seeking assurance on the systems for minimising fraud within a company and that frauds that are identified are reported to the Board appropriately and then to the Council where appropriate. This document means</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: March 2019</p> <p>Source of Assurance: Returns from companies on their approach to risk management and fraud.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
				that each major company has to consider its approach to risk management appropriately.	
G-07	Failure to comply with the requirements of GDPR	Contact Officer	Low/ Significant	<p>The Council has to recognise that wholly owned companies are separate entities and that there are limits on what information can be shared. It is also important to recognise that there are constraints on companies releasing information accidentally. The consequences of a breach of GDPR can be significant.</p> <p>Action: The Council must follow its own GDPR practices and assess whether it is appropriate to share information with its companies.</p> <p>The request for information in respect of deterring fraud also asks for information on the company's approach to manage the requirements of GDPR.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: March 2019</p> <p>Source of Assurance: Returns from companies on their approach to the management of GDPR.</p>
G-08	Failure to provide information for consolidation in Group Accounts	Corporate Director F&G	Medium/ Significant	The Council has to produce its draft financial statements by 31 May and its audited financial statements by 31 July of each year. This reporting timetable is in advance of that for	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: April 2019</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
				<p>companies that generally have nine months in which to produce their audited financial statements.</p> <p>The Council has to produce financial statements that show a “true and fair view” and are materially correct. The level of materiality for the Council is significant and therefore estimates of a company’s position are usually sufficient to satisfy external audit requirements as long as they are reasonably assured that there can be no material errors in the company accounts.</p> <p>Action: Companies that are considered necessary for consolidation, including those that are not consolidated but near the level for consideration, are contacted during the year so that they are made aware of the proposed timetable and of the information requirements that will be necessary.</p> <p>A questionnaire is sent out for return by December 31 for draft information on a financial position with the final return due by 29 April.</p>	<p>Source of Assurance: Return of draft and final questionnaires, management accounts during the year and companies’ draft accounts by 29 April 2019.</p>

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
				Companies are also asked to provide management accounts so that a profile can be built up of the information that will be used for the final consolidation.	
G-09	The Council is considered to have significant influence over a company through its nomination rights	Corporate Director F&G	Medium/ Medium	The test of control for accounting purposes is different to that for legal purposes. The Council is considered to have control over an entity if it controls 50% or more of the day to day activities of the company or has significant influence if it has more than 20% control. Control may be measured through the representation on company or charity boards where directors are considered to control the activities of a company. With the Council having nomination rights to a wide range of entities, there may be occasions where the number of Council nominees is such that they represent 20% or more of the board. In such cases, the entity would have to be considered for consolidation into the Council's group accounts. Failure to consolidate would lead to adverse audit reports or ultimately, qualification of the Council's accounts.	Target Risk Rating: Low/Low Anticipated date of attainment: July 2019 Source of Assurance: Information is sought on the overall structure of entity boards when the Council considers nominating individuals to external bodies.

No	Risk	Risk Owner	Current Level of Risk	Comments and Current Action	Long Term Aim
Governance Risks					
				Action: in the consideration of Council nominations to external bodies, a review should be undertaken of the level of control that may be exercised by the Council.	
G-10	A company does not have appropriate insurance covers in place	Company Directors	Low/ Significant	<p>Companies must have statutory insurance covers in place and should properly assess their financial tolerance to insurable risks. Financial risks which the company is unable to absorb should be transferred to the insurance market where insurance protection may be purchased.</p> <p>Action: In the creation of companies, the Council will need to ensure that consideration is given to the procurement of appropriate insurance cover.</p> <p>The Council will monitor companies approach to ensuring it has insurance arrangements in place through the risk assurance questionnaire.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: January 2019</p> <p>Source of Assurance: Information is sought through the return of the risk assurance questionnaire considered by Audit Committee.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Financial Risks					
F-01	A company requires support from the Council to remain a going concern		Significant/ High	<p>A company is a separate legal entity and if it were to get into financial difficulties then the company could become insolvent. The Council may determine, as shareholder, that this is the most appropriate way forward to minimise financial losses. However, there are a number of significant implications that may arise from this course of action in that:</p> <ul style="list-style-type: none"> • The reputational impact on the Council may be significant • The impact on local businesses may be significant if the company were to be unable to pay its creditors impacting directly on the local community • The Council may have given guarantees to the company to enable it to continue trading which it will have to honour • The Council may face a loss of critical services that it will have to replace at a higher cost • The Council may have to meet a pension guarantee if staff were originally TUPE's from the Council 	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: The provision of training to Directors in November will provide a base of knowledge to enable appropriate levels of challenge to be put in place.</p> <p>Source of Assurance: The oversight of regular monitoring reports and the review of business plans and final accounts will give added oversight of performance so that downward trends can be identified at the earliest opportunity.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Financial Risks					
				<p>The appropriate course of action to minimise the impact of any company falling into financial difficulties is to identify any fall off in trading performance at the earliest opportunity so that corrective action may be taken. This will be reliant on having the appropriate management team in place and Directors providing challenge at the appropriate level. The provision of appropriate performance reporting to the Council on a regular basis will also provide some assurance to the Council that performance is within acceptable bounds.</p> <p>Action: The training of Directors will give them the knowledge of their responsibilities and also the actions that they can take to gain assurance that performance is being delivered to the necessary level to remain solvent or mitigating actions are put in place where there is a drop in performance.</p> <p>The provision of regular monitoring reports to the Council will provide an added oversight so that any downward trends can be identified at the earliest opportunity.</p>	

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Financial Risks					
F-02	The council does not arrange its tax affairs to minimise its level of corporation tax.	Corporate Director F&G	Medium/ Medium	<p>Companies that operate on a trading basis may be liable for Corporation Tax. As the Council has a number of entities under its control there is an opportunity to look at the companies on a group basis to determine whether there is any opportunity for Group Relief. At present each company operates on a silo basis with limited consideration of any opportunities for tax minimisation across the group.</p> <p>Action: Review the tax position across the group and seek advice from external tax advisers.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: July 2019</p> <p>Source of Assurance: Advice received from external tax advisers</p>
F-03	A company provides guarantees/indemnities to a third party	Corporate Director F&G	Low/ Medium	<p>Where an entity gives guarantees/indemnities to third parties, an assessment needs to be undertaken each year to determine any likelihood of that guarantee being called. Guarantees need not be explicit but may be as part of general contracts.</p> <p>Action: Information will be sought from the companies consolidated into the Council's Group Accounts to assess whether any guarantees have been given.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: April 2019</p> <p>Source of Assurance: Responses to questionnaires from group companies</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Financial Risks					
F-04	Movement away from the Council's terms and conditions of employment	Head of HR	Low/ Significant	<p>When the Council TUPE's staff to third parties, the transfer is undertaken on the basis of current terms and conditions and access to the local government pension scheme. Where a company is controlled by the Council, should it move away from the Council's terms and conditions there is a potential for an Equal Pay Claim.</p> <p>Action: the Council monitors the terms and conditions of employment of Council companies.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: 31 March 2019</p> <p>Source of Assurance: Feedback from Companies.</p>
F-05	A company does not recognise that it is a controlled company for the determination of the Apprenticeship Levy	Head of HR	Medium/ Significant	<p>The introduction of the Apprenticeship Levy has meant that those companies with an employee budget of more than £3m were required to contribute to the scheme. However, where there was a group structure in place, the total group employee budget was considered as a whole. This has meant that subsidiary companies with an employee budget of less than £3m, who may have considered that they did not have to contribute, may have been in breach of the levy requirements.</p> <p>Action: Seek information from the</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: April 2019</p> <p>Source of Assurance: Information sought from subsidiary companies through the financial information questionnaire for consolidation purposes.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Financial Risks					
				Council's subsidiary companies to determine whether they have been contributing to the Apprenticeship Levy.	
F-06	A company does not have a viable business plan/budget	Company Director	Medium/ Significant	<p>The Company Business Plan sets the framework for the company's activities for both the short and medium term. The financial consequences of the plan set the budget, resource requirements and targets for service delivery. If a company does not have an agreed business plan, then it does not have clear direction and directors have no measures against which to assess management and company performance or to consider the impact of risks to the company.</p> <p>Action: Companies to be required to share their business plans with the Council, both as part of their contractual commitment for service delivery and for receipt of grant support to ensure that the Council's resources are being used appropriately.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: September 2019</p> <p>Source of Assurance: Receipt of business plans from companies with oversight by the Group Company Governance committee for major entities.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Reputational Risks					
R-01	Company does not follow the principles of public service	Company Directors	Low/ Significant	<p>The 7 principles of public service were laid down in the report by Lord Nolan. Whilst Council staff are expected to adhere to this level of integrity, the same should be expected of those companies controlled by the Council as they are perceived as being directly linked.</p> <p>Action: Company Directors should ensure that the ethos of the company includes the adherence to the 'Nolan' principles of public service.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: December 2019</p> <p>Source of Assurance: Feedback from company contact officers.</p>

No	Risk	Risk Owner	Current Level of Risk	Current Action	Long Term Aim
Contractual Risks					
C-01	A company fails to provide appropriate levels of service	Client Function	Medium/ Significant	<p>Where companies fail to provide the level of service expected from customers then this may adversely affect their ability to generate new business. Whilst the Council has some companies that trade externally, the majority of service provision is to the Council itself. The Council, therefore, has a choice of penalising its own company for non-performance, with a potential for then having to deal with a company in financial difficulties, or accepting a lower level of service.</p> <p>Action: the development of strong Client Functions that can monitor contract performance regularly and identify at the earliest possible stage any issues in delivery will ensure that service performance is of the required standard.</p>	<p>Target Risk Rating: Low/Low</p> <p>Anticipated date of attainment: March 2019</p> <p>Source of Assurance: Assessment of activity by Client Managers on a regular basis</p>

BIRMINGHAM CITY COUNCIL**PUBLIC REPORT**

Report to:	CABINET COMMITTEE – GROUP COMPANY GOVERNANCE
Report of:	Corporate Director – Finance & Governance
Date of Decision:	13 November 2018
Subject:	Group Company – Risk Assurance Request
Wards affected: All	
1 Purpose	
1.1	The Council is associated with a number of companies that fall within its sphere of control, either as subsidiaries where the Council has control, associates where the Council has significant influence, Joint Ventures or through partnership arrangements. The Council has to consider whether it faces risks through fraud or misstatement of activities.
1.2	The larger entities within the overall Council group boundary will be asked to provide information through the completion of a questionnaire to allow members to gain assurance that funds are being used efficiently and effectively and that the information provided in support of their financial statements would not be materially misstated. The comfort given by the questionnaire returns allows members of Audit Committee to approve the Council's financial statements as showing a 'true and fair' view.
1.3	A copy of the proposed questionnaire is attached for consideration by members.
2 Decisions recommended:	
	Members are recommended to:
2.1	Review and approve the questionnaire, seeking information from the Council's group companies, for circulation.

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E-mail address: martin.stevens@birmingham.gov.uk

3 Compliance Issues:

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The production of annual group accounts is a statutory requirement and the Council is required to consolidate entities that are material to its activities.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
Section 151 of the Local Government Act requires the Corporate Director of Finance and Governance (as responsible officer) to ensure proper administration of the Council's financial affairs..
- 3.4 Will decisions be carried out within existing finances and resources?
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
This report considers the main risks that the Council faces as a result of its operation through and partnership arrangements with external organisations. The report sets out the actions being taken to mitigate those risks.

4 Relevant background/chronology of key events:

- 4.1 An exercise is carried out each year to determine the "Group Boundary" that is to define which subsidiaries, associates, joint ventures and other partnership arrangements should be consolidated with the Council's financial statements to produce Group Accounts. This report includes, as Appendix 1, the questionnaire that it is proposed to circulate to relevant companies that meet the criteria for consolidation or which may meet the criteria in the near future.
- 4.2 The questionnaire seeks to gain information from group entities on its control environment, its approach to minimising the opportunity for fraud, how it ensures that its financial statements are materially correct and free from error and the risks that the company potentially faces. The responses to the questionnaire are considered by Audit Committee so that it can gain assurance that the information used in the production of the Council's group accounts shows a 'true and fair' view.
- 4.3 The companies that will be asked to complete the questionnaire are:
- Acivico Limited
 - Birmingham Airport Holdings Limited
 - Birmingham Children's Trust CIC
 - Birmingham City Propco Limited

- Finance Birmingham Limited
- InReach Limited
- The National Exhibition Centre (Developments) Plc
- Paradise Circus Limited Partnership
- PETPS (Birmingham) Limited
- PETPS (Birmingham) Capital Limited
- PETPS (Birmingham) General Partner Limited
- PETPS (Birmingham) Pension Funding Scottish Limited Partnership

Signature:

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Clive Heaphy, Corporate Director – Finance & Governance

Appendix

Appendix 1 – Risk Assurance Questionnaire

ABC Limited	
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	
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	
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	

ABC Limited	
Question	Response
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.	
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 your organisation would 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	

ABC Limited	
Question	Response
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 insurance cover does the company have in place.	
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.	

ABC Limited	
Question	Response
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.	

BIRMINGHAM CITY COUNCIL**PUBLIC REPORT**

Report to:	CABINET COMMITTEE – GROUP COMPANY GOVERNANCE
Report of:	Corporate Director – Finance & Governance
Date of Decision:	13 November 2018
Subject:	Group Company Governance - Section 24 Recommendations
Wards affected: All	
1 Purpose	
1.1	At its meeting on 30 July 2018, Audit Committee considered the External Auditor's Audit Findings Report (AFR) following the audit of the Council's Financial Statements for 2017/18.
1.2	The External Auditor made a number of recommendations within the AFR for management to consider. These include a number of recommendations made under Section 24 of The Local Audit and Accountability Act 2014 (the Act) that were considered by Council at its meeting on 11 September 2018.
1.3	The management responses to the recommendations made by the External Auditor were considered by Audit Committee at its meeting on 25 September 2018.
1.4	One specific recommendation under Section 24 of the Act related to the Council's relationship with its subsidiary companies. This report sets out the progress to date in delivering the actions proposed to mitigate the concerns of the External Auditor.
2 Decisions recommended:	
	Members are recommended to:
2.1	Note the proposed actions to mitigate the concerns of the External Auditor
2.2	Note the progress in delivering the proposed actions to date.

Contact Officer: Clive Heaphy
Telephone No: 0121 303 2950
E-mail address: clive.heaphy@birmingham.gov.uk

Contact Officer: Martin Stevens
Telephone No: 0121 303 4667
E-mail address: martin.stevens@birmingham.gov.uk

3 Compliance Issues:

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The Council operates and delivers services through a number of different vehicles. The Council needs to consider the risks of delivering through arms-length arrangements so that Council policies can continue to be implemented.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
The Section 151 Officer has a duty to ensure the proper administration of the Council's affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.
- 3.4 Will decisions be carried out within existing finances and resources?
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
This report considers the delivery of the proposed actions to mitigate the concerns raised by the External Auditor in his Audit Findings Report following the audit of the Council's Financial Statements 2017/18.

4 Relevant background/chronology of key events:

- 4.1 The External Auditor issued his Audit Findings Report (AFR), which was considered by Audit Committee at its meeting on 30 July 2018. Contained within the report were a number of recommendations made under Section 24 of The Local Audit and Accountability Act 2014. Recommendations made under Section 24 had to be considered by full Council, which took place on 11 September 2018.
- 4.2 The External Auditor identified within one of his Section 24 recommendations that the financial position of companies and the Council's liability for their liabilities has not been well understood or reported by the Council. The external auditor went on further to state that the Council had not always had sufficient accurate information upon which to make decisions relating to the companies created in order to mitigate risk and that governance arrangements had not been adequate to enable companies' activities to be monitored. The auditor's specific recommendation in respect of companies was that the Council needs to:
- “ensure that appropriate arrangements are implemented in relation to the Council's subsidiary bodies, including regular financial reporting and Council representation on subsidiary body boards, to ensure that emerging risks are

monitored, reported and managed promptly.”

- 4.3 The Council needs to monitor its response to the recommendation to ensure that the proposed action to mitigate the weaknesses identified is being progressed. Attached at Appendix 1 is the first progress report for members to consider.

Signature:

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Clive Heaphy, Corporate Director – Finance & Governance

Appendix

Appendix 1 – Progress report on Section 24 recommendation

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	Sec 24 Recommendations				
6	<p>The Council needs to ensure that appropriate arrangements are implemented in relation to the Council's subsidiary bodies, including regular financial reporting and Council nominees on subsidiary body boards, to ensure that emerging risks are monitored, reported and managed promptly.</p>	<p>The shareholder role is discharged through the CC-GCG, with attendance by subsidiaries either on a cyclical timeframe or where there are concerns with a Council-owned company, on a more regular basis.</p> <p>The Intelligent Client Function is more robustly developed for some subsidiary bodies than others and the role of contact officers requires formal definition. This will form part of the work programme for CC-GCG in 2018, along with further development of the training package for officers and members who take up directorships.</p> <p>Risks within subsidiary bodies are formally reported to Audit Committee annually as part of an assurance statement. The Council will extend this mechanism to capture emerging in-year risks.</p>	Ongoing	Clive Heaphy	<p>November 2018: The workplan and timetable for the CC-GCG is being developed and regular reports of and presentations by the Council's subsidiary companies will be programmed into the timetable.</p> <p>The CC-GCG has been timetabled into the Committee calendar on a monthly basis and will be chaired by the Deputy Leader and be supported by senior officers.</p> <p>November 2018: The role of client functions will be developed and implemented during the year to ensure that there remains a strong focus on the relationship with subsidiary companies.</p> <p>Client Officers will report to the CC-GCG on a regular basis in support of presentations by subsidiary companies.</p> <p>November 2018: CC-GCG will consider a regular report on the risks associated with subsidiary companies and emerging issues will be identified at the earliest opportunity to allow consideration at the committee.</p>

BIRMINGHAM CITY COUNCIL**PUBLIC REPORT**

Report to:	CABINET COMMITTEE – GROUP COMPANY GOVERNANCE
Report of:	Corporate Director – Finance & Governance
Date of Decision:	13 November 2018
Subject:	Acivico Limited – Pen Portrait
Wards affected: All	
1 Purpose	
1.1	This report sets out summary information in respect of Acivico Limited as background information to the consideration of the company's business plan in the private section of the agenda.
2 Decisions recommended:	
	Members are recommended to:
2.1	Note the information provided in this report.

Contact Officer: Clive Heaphy
Telephone No: 0121 303 2950
E-mail address: clive.heaphy@birmingham.gov.uk

Contact Officer: Martin Stevens
Telephone No: 0121 303 4667
E-mail address: martin.stevens@birmingham.gov.uk

3 Compliance Issues:

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The Council has created companies to support the delivery of services.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
There are no legal implications associated with this report.
- 3.4 Will decisions be carried out within existing finances and resources?
There are no financial implications associated with this report.
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
This report provides information for members and there are no risk management or equality impacts arising.

4 Relevant background/chronology of key events:

- 4.1 Acivico Limited was created as a wholly owned company of the Council in September 2011.
- 4.2 Two subsidiary companies, wholly owned by Acivico Limited, were created in January 2012, namely:
- Acivico (Building Consultancy) Limited
 - Acivico (Design, Construction and Facilities Management) Limited
- 4.3 Acivico has been designed as a Teckal company, which means that 80% or more of its activity has to be through contracts for services with the Council. The benefit of being a Teckal company means that contracts may be awarded without going through a public tendering exercise.
- 4.4 The principal activities of the group of companies were for the provision of consultancy, design, construction and facilities management within the construction and property industry. The companies became operational from 1 April 2012 as Council staff were TUPE'd to the companies.
- 4.5 In April 2015, three additional services were transferred to Acivico, namely Civic Catering, Cleaning and Birmingham City Laboratories. These services provided catering, cleaning, asbestos surveys and toxicology testing to the public and to the Council.

- 4.6 Acivico has generated operating losses in the past few years and to improve its financial and operating position the company has been undertaking a review of its activities. The review has included an assessment of its staffing requirements and a number of staff have left through voluntary redundancy.
- 4.7 The company transferred its catering function back to the Council with effect from 1 October 2018.

Signature:

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Clive Heaphy, Corporate Director – Finance & Governance

Appendix

Appendix 1 – Pen portrait Acivico Limited.

Appendix 1

Acivico Limited

Company N°: 07792304

Subsidiary Companies	Acivico (Building Consultancy) Limited			
	Acivico (Design, Construction and Facilities Management) Limited			
Directors	Ian Briggs (Chair) Michael Gregson (Chief Executive) Councillor Peter Griffiths Councillor Frederick Grindrod Catherine Newhall-Caiger Councillor Kenneth Wood			
Company Purpose	Acivico is a multi-service company providing services in design, construction, facilities management, building control, laboratories and cleaning to clients across the public and private sectors.			
Financial Year End Filing Date	31 March 31 December			
Financial Information	2016/17	2015/16	2014/15	2013/14
Accounts Filed	6 April 2018	27 Sept 2016	7 Jan 2016	13 Jan 2015
	£m	£m	£m	£m
Turnover	35.5	38.3	33.0	32.9
Operating Profit/(Loss)	(2.3)	(0.6)	-	(1.6)
Profit/(Loss) after tax	(2.5)	(0.7)	0.5	(1.2)
Balance Sheet				
Fixed Assets	2.3	0.1	-	
Current Assets	15.1	21.6	16.5	12.7
Current Liabilities	(18.2)	(21.0)	(16.2)	(12.8)
Pension Liability	(7.8)	(2.2)	(2.5)	-
Net Assets/(Liabilities)	(8.6)	(1.5)	(2.2)	(0.1)
Profit & Loss A/c	(8.6)	(1.5)	(2.2)	(0.1)
Net Reserves	(8.6)	(1.5)	(2.2)	(0.1)

