

Public Report

## Birmingham City Council

### Report to Cabinet Committee – Group Company Governance

16 September 2021



**Subject:** Group Companies Final Financial Position – Group Accounts 2020/21

**Report of:** Interim Director Council Management

**Relevant Cabinet Member:** Councillor Brigid Jones

**Relevant O &S Chair(s):** Councillor Mohammed Aikhlaq

**Report author:** Finance Manager, Final Accounts, Tax & Insurance

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

The Council consolidates seven subsidiary companies, one associate company and one joint venture into its Group Accounts. This report to Cabinet Committee – Group Company Governance (CC-GCG) summarises the final positions in term of profit and loss for these Companies and provides detail on the group companies annual review and processes for consolidation into the Council’s Financial Statements.

#### 2 Recommendations

2.1 To note the information provided within the report and the appendices 1 – 4 included within this report.

- 2.2 To note the annual process for obtaining financial performance and outturn information from the council's group of companies.
- 2.3 To review and discuss any performance or governance issues arising.

### **3 Background**

- 3.1 In common with many other local authorities, the Council uses different forms of service delivery, where this is appropriate. In some cases, it has created or bought into separate companies with its partners to deliver those services. The use of separate companies means that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Accounts more fully reflect the overall financial picture of the Council's activities. The financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.2 The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council. These Group Accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of its subsidiaries, associates and joint ventures have been aligned with the policies of the Council, for the purposes of Group Accounts, where materially different. Such adjustments as are necessary to align the Group Accounting Policies are made as consolidation adjustments.
- 3.3 The annual process by which information is obtained from the group companies is given at appendix 1. Information is gathered during the year in order to check the materiality of the company and whether it is likely to require consolidation, final outturn information is obtained during accounts closure period. During this process the companies complete an assurance questionnaire (appendix 2) which feeds into the council's group assurance statement, and detailed accounting policies and transaction information (appendix 3) to assist with consolidation. The final element of confirmation from the material companies is on going concern. The briefing note extract given at appendix 4 on the private agenda sets out the position for the consolidated and material companies.

### **4 Options considered and Recommended Proposal**

This report provides information to Members on the Group Consolidation Process for the Birmingham City Council Group Accounts.

### **5 Consultation**

This is an information report on the Council's group outturn and as such no consultation is required.

## **6 Risk Management**

This report informs the Committee of the Group Consolidation Process and outturn results. This process is reviewed annually both internally and as part of the external audit process, any suggestions or improvements are taken on board. These actions and implementation of improvements and enhancements will contribute to the risk management process of the Group Company position.

## **7 Compliance Issues:**

### **7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

The Council provides services to community through a number of different vehicles. This report provides information on the governance structure through which service delivery is being provided.

### **7.2 Legal Implications**

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**

Group company governance is a vital tenet of sound group financial management. Improvements to the process and operation as a "best in class" authority in this regard will contribute to the overall reduction of financial risk for the Council. Where implementation of improvements have a financial impact then that will be considered at the decision point for that action, be it by member or officer delegation.

### **7.4 Procurement Implications**

There are no procurement implications directly arising from this report.

### **7.5 Human Resources Implications**

There are no direct human resources implications arising from this report.

### **7.6 Public Sector Equality Duty**

There are no equality duty or equality analysis issues relating to the proposals set out in this report.

## **8 Appendices**

Appendix 1 – Report to Group Company Governance Committee of background and processes in relation to the consolidation of Group Companies into the Council's Financial Statements on an annual basis.

Appendix 2 – Copy of the Information the Audit Risk Assessment Questionnaire.

Appendix 3 – Copy of Company Questionnaire for Consolidation into the Group Accounts 2020/21

Appendix 4 - Briefing note to the Director of Council Management on Going Concern Matters

## **9 Background Documents**

None