

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>	

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

.....

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