

Major Trading Companies Update - PUBLIC

Cabinet Committee Group Company Governance 14th March 2024

Company	Company operations	BCC Directors	Share interest	
<p>Acivico Limited</p> <p>(Subsidiary Companies: Acivico (Building Consultancy) Limited & Acivico (Design, Construction & Facilities Management) Limited)</p>	<p>A multi-disciplinary consultancy company operating in the built environment. Provides the statutory service for Building Control and public safety, design, consultancy and asset and facilities management, along with a range of services that align to the Carbon Zero strategy and following the Grenfell disaster, the Building Safety Bill 2022.</p> <p>Providing programme and Project Management of major capital build programmes, engineering facilities management and a range of complimentary professional and technical consulting services.</p> <p>Major client is BCC</p>	<p>Cllr Ken Wood</p> <p>Vacant (Labour Cllr TBC)</p> <p>Vacant (External NED recruitment)</p>	<p>100% of Acivico Limited</p>	<p>General Update</p> <ul style="list-style-type: none"> The company is currently finalising its corporate strategy (The Acivico Plan 2024-2030) and due to take the FY24.25 budget for approval to 29th February Acivico Ltd. Board and its subsidiaries and due to be presented to CC-GCG on 14th March 2024. The changes in legislation to provide a new framework for building safety come into full effect on 6th April 2024 and Building Consultancy are making the necessary changes to meet the new national Operating Standard rules and provide key reporting data to the Regulator. A new Client Account Director role has been introduced to coordinate the council’s requirements and drive efficiencies and quality. Acivico is assisting Corporate Landlord to enable the Council’s asset disposal and relocation plans. An Acivico female Quantity Surveyor has been shortlisted for the 2024 Women in Construction and Engineering Awards for Best Woman in Quantity Surveying. The Local Authority Delivery Phase 3 (LAD3) project in Balsall Heath which retrofitted the highest number of homes in the country (700) and was delivered in partnership with a range of delivery partners and Birmingham City Council has been shortlisted for the Retrofit Academy Awards 2024 under the Social Value category and for the Construction Excellence Midlands Awards under the Regeneration and Retrofit category. The company has also been shortlisted for a PPMA (Public services People Managers Association) award for best learning and development programme. Acivico Group has won a place on the Procure Plus Dynamic Purchasing System framework under the commercial retrofit category which makes appointing Acivico easier for clients. Acivico Group has also won a place at the Birmingham City University Clerk of Works Framework, again making it easier for clients to access our skills and expertise. <p>23/24 Year to Date Financial Summary</p> <ul style="list-style-type: none"> YTD results on a Group P&L basis show positive profit generation for the group currently amounting to £827k, before adjustments. The company is however falling slightly behind budget after 10 months of trading. Mitigations are being put in place for business units to reduce budget shortfall and expectation that the accounting adjustment for pension to be considerably better than budgeted which will positively impact the balance sheet. Cashflows from operating activities excluding depreciation and accounting adjustment to pension currently stands in a positive position, which will improve the balance sheet position and the deficit. <p>Risks/Areas of Concern</p> <ul style="list-style-type: none"> Building Consultancy Staff are progressing towards registration as Building Inspectors which is required in order to continue to carry out their roles from April 2024. LABC, representing Local Authorities have written to the Building Safety Regulator and Government raising concerns in respect of the capacity within the system to allow individuals to register in time for the changes. This concern is shared by Acivico with recruitment and retention now a strategic risk for the company, given the high demand for registered inspectors The acceleration in disposal of the Council’s built assets and the reduction in investment works and projects will have a negative effect on longer term fee income. The situation remains a watching brief.
<p>Arden Cross Limited</p>	<p>A joint venture company between the three major landowners of a site within Solihull MB, adjacent to the NEC, Birmingham Airport and</p>	<p>Kathryn James</p>	<p>33% shares and voting rights</p>	<p>No Further Update</p>

	Birmingham International Station. The objective of the company is to maximise the commercial potential of the site.			
B: Music Limited (formerly Performances Birmingham Limited)	Provision, management, and administration of venues for performances at Birmingham Town Hall and Symphony Hall.	Cllr Albert Bore Cllr Ewan Mackey	Sole Member (Limited by Guarantee)	<p>General Update For the past 2 years B:Music has been working behind the scenes to make the necessary introductions with relevant BCC gatekeepers to allow Live Nation to bring large scale outdoor gigs to Centenary Square this summer. Subject to license, these are now going ahead with an announcement of the line up expected on March 1st. B:Music is providing back of house infrastructure and VIP hospitality for the gigs which will happen over the August Bank Holiday weekend.</p> <p>There are no significant operational challenges at the moment with general positive sales continuing on from a strong autumn. Alongside the commercial programme, B:Music's popular strand of free and low-priced gigs in the foyer spaces continue to thrive. Enrolment for the summer school has just opened and is set to reach capacity soon.</p> <p>Financial position Trading figures for P10 (January) show a modest improvement (£33k) against the budgeted deficit for the month, continuing the positive trend throughout the year.</p> <p>It is likely that B:Music will reach a breakeven position by year-end against a budgeted loss of £275k. This position is a result of savings on non-pay costs, increased income from box office commission, much improved income from funds held on account and increased income from food and beverage sales. Although this will be an excellent outturn for the year, B:Music needs to generate an annual surplus in order to maintain both free reserves and its long-term maintenance reserve at an acceptable level. A review of reserves policy is planned for this year.</p> <p>Trends from 23-24 have been reflected in the 24-25 budget which is due for trustee approval following the decision on the grant for the year from BCC in March.</p>
Birmingham Airport Holdings Limited	Commercial and Domestic Air travel	Cllr Brigid Jones Cllr Paul Tilsley CBE	18.68%	<p>General Update In the 12 months from 1 January 2023, Birmingham Airport served 11.5m customers, and is expecting around 12m customers during the financial year ending 31 March 2024, close to pre-pandemic volumes.</p> <p>Improved long-haul connectivity and low-cost growth are key as customer volumes in 2024/25 are expected to be around 13m.</p> <p>In 2024, the +£50m new security hall will be unveiled which will vastly improve the experience for customers, a new customer website will be switched on, and 20% of electricity needs will be generated from a 12,000-panel solar array currently under construction.</p> <p>By 2033, Birmingham Airport aims to serve 18m customers and to become carbon-net zero.</p>
Birmingham Children's Trust Community Interest Company	Provision of Children's services	Richard Brooks	Trust (100%)	<p>General Update The Trust continues to thrive. Whilst under significant pressure, we continue to drive improvement in services and outcomes for children. Key issues include:</p> <ul style="list-style-type: none"> Leadership changes: the previous Chair of the Trust Board retired in December 2023 and Andy Couldrick moved from Chief Executive to Chair. James Thomas joined in December 2023 as the new Chief Executive. We have reorganised using existing capacity to cover all key roles without external recruitment at this stage, and the transition has been smooth.

				<ul style="list-style-type: none"> • Our work with Solihull is established. We provided a detailed ‘diagnostic’ and initial work plan, which was well received and aligned with Ofsted findings there at a recent monitoring visit. Our support has been welcomed. • High levels of demand in most areas of our work continue. • The number of children in care has rose in line with our projections and national trends, with that trend slowing in December and January. Care costs have risen steeply, a consequence of a broken market, insufficiency, the impact of regulation and, critically, an increase in the complexity of need. • Numbers of unaccompanied asylum-seeking children arriving in Birmingham have also impacted upon children in care and care leaver volume and have continued to rise. • Recruitment and retention remain a challenge, placing pressure on agency numbers and caseloads, though our Good Ofsted outcome has seen more positive progress on recruitment and retention. <p>Despite the challenges we face, performance remains strong, as does the quality of practice, the range of services we offer has grown, and we remain optimistic about our work, our partnerships and our impact on children, young people and families.</p> <p>Finance Update</p> <p>In response to the s114 Notice we are taking steps that mirror those in the Council to address all spend decisions and to cease spend that does not support front-line practice. The Trust is working closely with the Council in relation to the immediate and longer-term budget challenges it faces, and is managing its own spend control. In addition, the Trust’s Director of Finance is supporting the Council’s s151 Officer in their spend control and budget activity in the Council.</p> <p>We continue to work hard to manage and mitigate the financial pressure arising from increasing demand for services, growth in numbers in care, complexity of need and risk, absence of appropriate care placements, and rising numbers of unaccompanied asylum-seeking young people. We have more fully aligned our budget recovery planning with that of the Council in the context of the most recent serious financial challenges facing the Council and, like most Children’s Services Authorities nationally, the Trust is working to mitigate an in-year pressure in 2023/24. Our focus is on diversion and prevention, enabling children to stay in their families, aligning our resources better to support this intent, and ensuring our commissioning and market engagement help us achieve best value.</p> <p>The Council has asked the Trust to contribute to its budget savings for 2024/25 and 2025/26. The Trust has agreed to an overall reduction of 8% which relates to a £9m reduction in the contract sum, increasing by a further £1m in 2025/26, and the cessation of the £5.7m Early Help contract. In response to the latter the Trust will look to reinvest in Early Help to maintain this critical offer to vulnerable children and families, as well as take action to mitigate wider demand and inflationary pressures, in particular placement costs. The combined impact of this will require the Trust to deliver an overall saving of £16.3m which was accepted by the Trust Board at its meeting on 23 January 2024. In response, a series of savings proposals have been developed as follows:</p> <ul style="list-style-type: none"> • Remove pensions liability (£3.0m) • Dedicated Schools Grant / High Needs Block (£2.6m) • Contributions from Health (£1.0m), Housing & Adults • Public Health Grant (£1.5m) • Supporting (Troubled) Families Grant (£1.2m) • Household Support Grant (£0.9m - £1.5m investment of which £0.6m is already committed to supporting care leavers) • Placement cost control (£3m) • Contract management (£1.2m) • Efficiency savings (eg. automation / digitalisation) (£1.0m) • Other service reductions (£2.1m including £1.0m for Early Help) <p>The approach taken has been to prioritise actions which seek to maximise alternative funding sources and promote efficiency savings, and minimise the need for service reductions.</p>
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The table below provides further detail on the range of service reductions proposed across the Trust. Given the majority of services provided by the Trust are either statutory or preventative, which in the case of the latter then avoids higher levels of statutory spend, the level of budget cuts has been kept to a minimum. The aim is to avoid putting jobs at risk, and through the deletion of vacancies and redeployment we will seek to avoid redundancies wherever possible. The table provides details as to the number of staff in scope in terms of FTE posts and those deemed at risk.

Service activity	£000	Staff in scope	Staff at risk
Adoption – RAA	225	-	-
Business Support	700	23	17
Early Help - management	1,000	14	2
Family Time	75	3	-
Front Door Services - management	210	3	-
Management	200	1	1
Preventative Services	280	3	-
Safeguarding & Partnerships	117	-	-
Total	2,807	47	20

Risks/Areas of Concern

The Trust continues to be a key part of system leadership across the city. There are some key partnership challenges that we need to address in the coming year. Successful progress will impact positively on demand for Trust services as well as promoting better outcomes through different and earlier responses. Examples include:

- **the Council’s financial position:** this clearly represents a new and significant risk to the Children’s Trust. We will, of course, continue to work closely with the Council and, as necessary, the Commissioners to support their work. We continue to experience increasing demand for our services, and the Trust delivers some critical services without secure revenue funding in place from the Council (Early Help).
- responding to the challenge of **domestic abuse and homelessness for women and children** – this continues to drive a substantial amount of work in the Trust. The absence of any perpetrator programmes in the city is a particular concern, and one noted by Ofsted.
- **children’s and parental mental ill health:** increasing amounts of Trust resources are used as a consequence of delivery and definitional issues around mental health. A better joint, and joined-up, response is required. Birmingham’s CAMH services have recently been inspected and judged ‘Inadequate’ by the CQC. This might offer an opportunity to collaborate over a different and more integrated and collaborative service offer.
- **contextual and transitional safeguarding:** increasing the strength of the partner response to safeguarding risks outside of the family and across the life course.
- **early intervention and prevention:** the work in the Council is progressing and there are real opportunities to build greater prevention into the role of universal services in the city. The Trust is eager to ensure that, in policy and practice, effective links are made across Early Intervention and Prevention, our Early Help service and the emerging Family Hubs programme. The Trust Early Help offer certainly reduces demand for statutory services, yet we see that demand continue to rise nevertheless.
- working with the **Council Commissioners** to build confidence in the governance, effectiveness and efficiency of the Trust.

We are well-placed to continue to rise to these challenges and maintain the trajectory of improvement we have set hitherto, maintaining effective collaboration with the Council and all of our partners.

Impact from the Cost of Living

The Trust continues to work with the Council and other partners to develop a coherent response to the cost of living crisis. We are concerned to ensure that family poverty is addressed and supported rather than referred to the Trust as a type of

				<p>neglect. We are working with BVSC and the Council to ensure that the Household Support Fund is delivered quickly and efficiently to young people and families experiencing hardship. Last summer we ran a range of schemes under the Holiday Activity with Food (HAF) programme, targeting families from vulnerable communities. It continues to be the case that financial hardship in communities is driving demand for Trust services.</p> <p>The withdrawal of the Household Support Grant which enabled the Trust to provide cash support to vulnerable families and children is a concern. The Council has responded proactively to this by providing an additional funding of £1.5m to the Trust to allow this financial support to continue whilst the Cost of Living is still impacting.</p> <p>Through our charity, Bfriends, we are forging some new and exciting partnerships with commercial and other organisations across the city that will bring in significant funds and support for our most vulnerable, including delivery of a fully sponsored Winter Wonderland offer to thousands of children over the festive season and have recently had approval to a programme of activities across the Easter 2024 period sponsored again by HAF.</p>
Birmingham City Propco Limited	Management and Leasing of Commercial Property	Alison Jarrett Simon Delahunty-Forrest	100%	<p>General Update Birmingham City Propco Limited (Propco) was created to support effective engagement with the investment property market, including acquisition, disposal and leasing of investment properties. Cabinet approved the company creation and sale of Crowne Plaza and Hilton Metropole hotels to Propco on 27th June 2017. The Council provided Propco with a loan of £20.2m and equity of £9.4m to finance the acquisition, which it is repaying over 25 years until 2043.</p> <p>Propco continues to manage the Council’s NEC based hotels; Hilton Metropole and Crowne Plaza. Cabinet approved a report on 27th July 2021 to further invest in Propco, however no further plans have been made to expand the portfolio.</p> <p>Finance Update Propco made a profit before taxation of £0.697m in 2021/22. The draft accounts for 2022/23 indicate a profit before tax of £0.688m and will be finalised when the auditors’ report is received shortly. Draft corporation tax of £0.110m was paid before the due date of 31st December 2023. The filing date with Companies House has been extended by 3 months to 31st March 2024 to accommodate additional auditor requests which are being progressed.</p> <p>As part of the audit, a cashflow forecast was provided for the next 12 months to 31st March 2025 which confirmed a positive cash balance. In addition, a profitability statement for the 25 year repayment period of the Council’s loan has been produced, which shows trading losses as Council loan repayments include principal repayments in 2023/24 onwards. The loan repayment profile assumed increasing rent from periodic reviews and turnover based supplemental rent which has been stifled in recent years. However, there are indications that the conference hotel sector has recovered and opportunities for rental growth are being monitored closely.</p> <p>The Council invoices the hotels on behalf of Propco for rent and service charges and collects the income. This support was adversely affected by the implementation of the new finance system, however invoicing for Hilton Metropole has now been actioned for 2023/24, which means that billing is now up to date for both hotels. As soon as the hotel companies pay Propco’s invoices, then Propco will be in a position to pay the Council’s loan principal and interest for 2023/24 of £1.465m.</p> <p>Risks/Areas of Concern A dispute between Propco and the NEC Group regarding a substantial increase in estate road service charges is progressing towards a positive outcome with progress reported in the Private agenda.</p> <p>Propco’s financial model anticipated rental growth through periodic uplifts as well as turnover related supplemental income. However, the profitability forecast provided to the auditors, shows losses in 2024/25 onwards as loan principal repayments increase. There is sufficient liquidity to continue operating in the short term, however the financial position will have to be monitored closely and if necessary the Council will be asked to reprofile the loan to reflect expected rental levels.</p>

				<p>Propco receives support services from the Council which includes legal, property and financial. Property Services support includes rent and service charge invoicing and cash posting which despite progress with invoicing continues to have issues locating and posting payments.</p> <p>Impact from the Cost of Living/Energy Crisis Propco does not have any direct property running costs and other than the estate road payments which are currently in dispute, it recovers water and service charges from the tenant hotel companies. Supplemental rent payable to Propco based upon hotel company turnover was impacted by Covid and airport and conference related hotel accommodation, however there is evidence based on recent turnover figures that this now exceeds pre-Covid levels.</p>
Birmingham Museum Trust	Provision of museum services	Cllr Robert Alden Cllr Philip Davis	100% (Trust)	<p>General Update</p> <ul style="list-style-type: none"> BMT Secured £250K from FCC grant to enable partial reopening of Birmingham Museum & Art Gallery for summer 2024. on 10th February the Gas Hall exhibition was reopened with 'Victorian Radicals' with 4 star reviews in the Telegraph and The Guardian Started £250,000 NLHF grant supporting financial stability, 10yr plans, business model and building resilience Focusing on maximising public impact <p>Financial Update</p> <ul style="list-style-type: none"> 2023-24 forecast improved to break-even position is an improvement from the original budget set at £569k deficit – mainly due to one off rebate on business rates. BMT has in-year spending controls to meet budget which are not sustainable medium-term. Costs of purchasing supplies and services still increasing <p>Risks/Areas of Concern</p> <ul style="list-style-type: none"> Section 114 may have serious implications for Birmingham Museums Trust. The BCC investment represents 45% of our annual revenue funding. BMT has a 25yr agreement until 2043 with a four-year rolling funding agreement (currently 2022-26) which is expected to be honoured as per contract Reopening of Birmingham Museum & Art Gallery is critical to the sustainability of BMT and securing museums accreditation and external funding Arts Council England are a major stakeholder and they have increased our risk profile to very high in light of S114 Recent Soho House sewage leak caused significant damage and costs to BMT. BMT are pursuing Severn Trent for a fix and damages.
Birmingham Wholesale Market Limited	Corporate Joint Venture to run the Wholesale Market Hub	Ian Chaplin Kathryn James Paul Kitson	50%	No further update
InReach (Birmingham) Limited	Construction and management of private rental properties	Guy Olivant Colette McCann	100%	No Further Update
Paradise Circus Partnership Limited	The main vehicle for the redevelopment of Paradise Circus	Kathryn James Guy Olivant	50/50 joint venture	No Further Update