

Major Trading Companies Update - PUBLIC

Cabinet Committee Group Company Governance 25th January 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"> In 2023 the Group engaged economists to undertake a 10-year economic impact study of its activities. Acivico has supported on average 302 jobs p.a. in Birmingham and contributed a cumulative £140m in Gross Value Added to the economy. The 24/25 Acivico Business Plan with a 5-year forecast will be finalised in February 2024. The Building Safety Regulator has confirmed that there is no need for Acivico to register as a private sector provider under the new regime. Acivico can continue to deliver the council’s building control service without any changes. Sustainable Warmth grant funded works to improve the thermal efficiency of the housing stock in Birmingham (LAD3 & HUG1 schemes) was completed successfully in November 2023, reducing energy poverty, and delivering a carbon dioxide saving of circa 1120 tonnes per year. The project was featured in The Times as an exemplar community led retrofitting initiative. Progressing with options to renew the Small Works (£25K to £500K) Framework in April 2024. Renewal of the lift repairs and maintenance contract with BCC Housing is on-going. Acivico is assisting Corporate Landlord to enable the Council’s asset disposal plans. <p>23/24 Year to Date Financial Summary</p> <ul style="list-style-type: none"> YTD results on a Group P&L basis behind budget after eight months of trading, although there is an expectation of some recovery due to revenue release for outstanding fees on the LAD3 project. Mitigations are being put in place for BC and DC 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. The Group was also inline to budget for period 8 however, over £400k of revenue had not been recognised due to risk of recovery. Since the end of the period this risk has now been mitigated with additional revenue due recognised in period 9 which will bring the group closer to overall budget levels and show a favourable variance to budget in period 9. 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"> Staff have begun the compulsory registration process for Building Control Inspectors. There is concern in the sector that sufficient registration levels will not be achieved for the 6th of April deadline, risking insufficient staff registered at the right level and processing of applications.
<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 Birmingham International Station. The objective of the company is to maximise the commercial potential of the site.</p>	<p>Ian Macleod</p> <p>(Alternate: Kathryn James)</p>	<p>33% shares and voting rights</p>	<p>General Update</p> <ul style="list-style-type: none"> The Arden Cross project continues to deliver generally in accordance with the Business Plan but not without associated obstacles. Heads of Terms for the development agreement between ACL and Muse were agreed and exchanged in Autumn 2023 Lawyers were instructed to formalise that agreement and the draft Development Agreement has been released to Muse. BCC Cabinet approvals to date provided delegated powers for the Council to enter into the Development Agreement The draft Masterplan has now been prepared by the development partner, Muse, and presented to the ACL Board with a view to approving this early in the new year. Stakeholder engagement has been carried out in October. A Financial Model has been worked up by Muse and was presented in draft form to the ACL Board in December 2023. The “Network North” paper issued by HMG in cancelling Phase 2 of HS2 outlined £50 million of grant towards viability difficulties within the site.

				<ul style="list-style-type: none"> In late December the Arden Cross site was proposed by HMG as a “Growth Site”. This will likely enable rates retention and rates savings benefits. Work continues to minimise land take by HS2 and hence increase developable land controlled by the landowners. The overall need for HS2 car parking at the Interchange Station had been reduced from 7,500 spaces to 4,500 spaces. HS2 is now reassessing the train schedule and thereafter the associated car parking needs which may reduce again. <p>Risk/Areas of Concern The following areas of risk are highlighted and are being managed by the ACL Executive Team.</p> <ul style="list-style-type: none"> Ongoing commitment of shareholders to ACL Continued Changes to the Arden Cross boundaries Development Agreement (DA): Conditionality and Timing Adoption of Local Plan: A twin track approach to considering a very special circumstances application to mitigate this delay is now being adopted by Muse and their planning consultants, Turley. CIL Review – SMBC have produced a useful paper relating to the assessment that developments will be taken through where a CIL exemption might apply. This enables two routes to be followed. The more formal CIL assessment work being undertaken by SMBC has however been delayed and is currently scheduled to go to cabinet in December 2023 and out for consultation in January 2024. Muse are considering how these two alternatives will work best in the context of their planning work and programme. Land hand back from HS2 – On 22nd September HS2 issued a revised land hand-back programme which delays the hand-back of certain areas of land. The schedule has been challenged and questions raised as to the rationale. Viability of the scheme - financial model – The draft masterplan has informed a new financial model and business case. This will also inform DfT of the viability issues facing the development and other potential sources of funding (for example WMCA) of the need for public sector support for the Arden Cross development. The model will also provide an indication of payments that would flow through the Value Capture Agreement to pay towards infrastructure provided by the UGC, the anticipated land values generated and the overall viability of development. UKCUGC - Solihull MBC are to subsume the UGC into the Council. This decision will simplify stakeholder engagement and ease communication. SMBC's lawyers are advising on the status of agreements to which UGC has been a party and will liaise with other stakeholders once this is complete.
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 B:Music has just come through the busiest trading period of the year with 250 events presented across October, November and December and an audience of >157,000. It has been a good quarter for audiences, with most of the December programme recovering to pre-pandemic levels.</p> <p>There are no significant areas of concern regarding recruitment or other operational issues.</p> <p>In December the Symphony Hall café, B:Eats, was featured heavily on the Hairy Bikers Christmas Special which has been great for visibility, and for Birmingham – Opheem/Aktar Islam was also featured. https://www.bbc.co.uk/iplayer/episode/m001tlv4/the-hairy-bikers-coming-home-for-christmas</p> <p>Financial position Whilst trading figures have been mostly above target, casual labour costs (which have risen by 20% over two years, due to the living wage) means that profitability of events is not rising in line with inflation.</p> <p>However, the management accounts for P9 show a £206k favourable variance to budget, due to higher than budgeted income on F&B, box office commission and event contribution. This combines with another strong month in November to mean that the YTD variance remains considerably ahead of budget. Although P10-12 are budgeted to be loss making, it is likely that the year-end position will be considerably ahead of the forecast deficit of £275k.</p>

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Birmingham Airport Holdings Limited	Commercial and Domestic Air travel	Cllr Brigid Jones Cllr Paul Tilsley CBE	18.68%	<p>General Update Customer volumes at Birmingham Airport in October 2023 totalled 1,106,000, which was 100.4% of October 2019, and the first month that pre-pandemic numbers have been exceeded, being in the high nineties for sometime. In 2019/20 Birmingham Airport served more than 12m customers. After the Government re-opened borders in March 2022, customer volumes reached 10.5m in 2022/23. In 2023/24, passenger levels are expected to be close to 2019/20 levels. It is estimated that more than 335,000 customers will travel through Birmingham Airport between 22 December 2023 and 2 January 2024, a 19% increase compared to the same period in the prior year. The most popular destinations over this period are Dubai, Dublin, Tenerife, Geneva and Amsterdam.</p> <p>Birmingham Airport is undertaking a £300m capital investment programme over the next decade to make it capable of serving 18 million customers a year by 2033, when it also aims to become a carbon net-zero airport.</p> <ul style="list-style-type: none"> ➤ Birmingham Airport is halfway through more than £10m of aircraft stand upgrades to make its operation more efficient and reliable for customers. When complete, all the stands on the South Terminal will be capable of accommodating Airbus 321 and Boeing 737 aircraft, which many airlines use. ➤ Birmingham Airport has begun bringing into use four 50-person lifts as part of its +£50m project to build a state-of-the-art new security screening hall for customers. In January 2024 new security screening equipment will be delivered, which are planned to become operational in June 2024 after staff have been trained. Once completed, the new security area will deliver a more efficient process and a better experience for customers.
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. • 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. • We will be bidding to join the Sector-Led Improvement Partner process, whereby DfE will commission the Trust to support other struggling children's services. • High levels of demand in most areas of our work continue. • The number of children in care has risen in line with our projections and national trends. 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. <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, growing 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>Risks/Areas of Concern</p> <p>The Trust continues to be a key part of system leadership across the city, and will want to play a full role in the Year of Change for Children. 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:</p> <ul style="list-style-type: none"> • 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 newly-appointed Commissioners to build confidence in the governance, effectiveness and efficiency of the Trust. <p>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.</p> <p>Impact from the Cost of Living</p> <p>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 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 programme, targeting families from vulnerable communities. We provided a fully sponsored Winter</p>
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Birmingham City Propco Limited	Management and Leasing of Commercial Property	Alison Jarrett Simon Delahunty-Forrest	100%	<p>General Update 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</p> <ul style="list-style-type: none"> 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 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. 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. The Council invoices the hotels on behalf of Propco for rent and service charges and collects the income. This support continues to be adversely affected by the implementation of the new finance system and invoicing for Hilton Metropole has still not been actioned for 2023/24 yet, which has delayed payment of the half year loan instalment from Propco to the Council in August 2023 and may further delay payment of the next instalment in February 2024. Propco paid its loan interest payment for 2022/23 of £1.076m to the Council at the start of October 2023 following delays in identifying income paid from the two hotel companies. <p>Risks/Areas of Concern</p> <ul style="list-style-type: none"> A dispute between Propco and the NEC Group regarding a substantial increase in estate road service charges is progressing towards a positive outcome for Propco with progress reported in the Private agenda. 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 commence. 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. 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 continues to be adversely affected by issues within the new finance system. <p>Impact from the Cost of Living 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"> Major external repairs (funded by £5m DCMS MEND funding) at Birmingham Museum & Art Gallery (BMAG) drawing to a close. Artefacts and collections have been returned from storage but BMAG remains closed

				<ul style="list-style-type: none"> BMT Secured £250K from FCC grant to assist partial reopening of Birmingham Museum & Art Gallery for summer 2024. In meantime BMT plans to open Gas Hall with 'Victorian Radicals' exhibition in February Started £250,00 NHLF grant supporting financial stability, 10yr plans, business model and building resilience <p>Finance Update</p> <ul style="list-style-type: none"> BMT has in-year spending controls to meet budget which are not sustainable medium-term. 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 requesting an (inflationary) uplift for 2024-25 to main contract and £420K compensation for continued closure of BMAG Costs of purchasing supplies and services still increasing BCC still owe BMT over £60,000 for Aston hall recharges for use of security whilst closed for essential works <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 four-year rolling funding agreement (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 2023-24 BCC service fee had no uplift for inflation which is in effect a cut to BMT Our wider estate is continuing to deteriorate so a joint approach is needed for a long term strategy Arts Council England are a major stakeholder and they have increased our risk profile to very high in light of S114 Soho House sewage works leak caused significant damage and costs BMT are pursuing Severn Trent for damages claim S114 causing reputation damage with potential funders and partners
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%	<p>The Embankment development continues to operate well, with strong demand for any apartments that do become vacant. The most recent Management Accounts (to November 2023) show void rent loss at 1.09%, with a relet time of only 5 days. InReach continues to perform well in financial terms, with EBITDA at 67.94% and total net income continuing to exceed budgeted performance. This positive performance is anticipated to continue for the remainder of the financial year.</p> <p>The InReach proposal as previously reported to this Committee continues to be an option for plot 7 at Perry Barr but is now being reconsidered by the Council to reflect the wider context of the council needing to generate capital receipts from the sale of assets, we anticipate a recommendation being made by the Council Team in Jan/Feb 2024.</p>
Paradise Circus Partnership Limited	The main vehicle for the redevelopment of Paradise Circus	Kathryn James Guy Olivant	50/50 joint venture	<p>The Paradise Circus development continues to progress well, with very strong demand for the high-quality office accommodation being provided. Work is currently under way to bring forward the next phases of the development (with support being sought through the Enterprise Zone, as with previous phases) – a draft business case for the EZ funding has been prepared and is currently being evaluated.</p> <p>PCLP's working capital position continues to be tight and require careful management through the JV partners, with options being considered for approaches that may alleviate the current pressures and allow an accelerated repayment of working capital borrowing facilities.</p>

