

Major Group Companies Update

Cabinet Committee Group Company Governance 17th March 2022

Company	Company operations	BCC Directors	Share interest	Financial interest	Update – 17.03.22																																													
Acivico Limited (Subsidiary Companies: Acivico (Building Consultancy) Limited & Acivico (Design, Construction & Facilities Management) Limited)	Facilities management, building design and control – major client is BCC	Cllr Peter Griffiths Cllr Ken Wood Vacant	100% of Acivico Limited	£1.5m	<p>This update provides the month 10 (as at 31 January 2022) financial position. Key messages:</p> <ul style="list-style-type: none">a) The forecast includes tracked mitigations and risks as currently quantified on 18 February 2022. This places the Group’s overall trading position behind the business plan expectations for this period and forecast to 31 March 2022;b) Year to date, EBITDA is £0.272m profit with a loss before tax of £0.126m;c) The overall debt position as at 31 January 2022 is showing a significant improvement in overall group aged debt provision requirements of £0.086m since 31 March 2021;d) A 12 month rolling cash flow forecast which suggests we can retain sufficient working capital and meet our liabilities when they become due; ande) The Group balance sheet as at 31 January 2022. Creditors falling due in one year includes the quarterly VAT payment due, the £1m short term loan repayable to the council, the adjustment for other loans due (previously in long term creditors) and other creditors. <p>The Group measures its financial performance by a number of indicators as shown below.</p> <p>Financial Performance KPIs. Figures are £m</p> <table><tr><th>Definition</th><th>Board Commitment</th><th>2021/22 Target</th><th>2021/22 Performance</th><th>% against target</th></tr><tr><td>Total Revenue - How much revenue the company generates from it's operating activities.</td><td>To achieve or exceed Turnover within the business plan. Variable due to pass through therefore target set on fee revenues</td><td>22.309</td><td>22.864</td><td>⬆️ 2.5%</td></tr><tr><td>Gross Margin - The profit margin % the company makes after deducting its cost of sales</td><td>To ensure pricing is appropriate. 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A mitigation action tracker is tracking further opportunities to obtain client approval for project work, reduce costs and review specific accounting adjustments such as the bad debt provision.</p> <p>Financial Performance 2021/22 Month 10 financial position for 2021/22 reports earnings before interest, tax, depreciation, and amortisation (EBITDA) resulted in a profit of £0.272m with a loss before tax of £0.126m.</p>	Definition	Board Commitment	2021/22 Target	2021/22 Performance	% against target	Total Revenue - How much revenue the company generates from it's operating activities.	To achieve or exceed Turnover within the business plan. Variable due to pass through therefore target set on fee revenues	22.309	22.864	⬆️ 2.5%	Gross Margin - The profit margin % the company makes after deducting its cost of sales	To ensure pricing is appropriate. 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Since Q3, Board are advised of the following:</p> <p>i. Condition survey mitigations – The primary client has requested a pause on property condition surveys but has commissioned education surveys with resources being reallocated. WCC client has reduced its programme during Q4 for surveys due to budget constraints. The overall impact has severely impacted on mitigations and although other mitigations and savings have been identified the impact has not been fully offset;</p> <p>ii. It is understood that the pay award for 2021/22 is confirmed at 1.75% for employees with directors having been agreed at 1.50%; and</p> <p>iii. The cost of pension service adjustment modelling is continuing to see an upward trend in the discount rate offset by a slight deterioration on the Bank of England implied inflation curve. The quantified risk has been reduced to £0.568m from £0.659m last month. The quantified risk will differ when calculated on 31 March 2022 and could also be impacted by the new actuary’s approach to risk appetite.</p> <p>d) Cumulative retained losses excluding pension reserve would be £11.945m.</p> <p>Board Structures and Development</p> <p>As communicated through the Shareholder representative, the decision of the Chair of the Board, Ian Briggs, to step down after almost 8 years is one that will be celebrated in the business. Ian has worked tirelessly to shape the future position and standing of Acivico and has the best wishes of the Board, the Leadership Team and the staff in his future endeavours. Non-Executive Director, Alison McKinna, will step into the Chair of the Board role on an interim basis whilst we work to appoint a permanent Chair during this year.</p> <p>Leading on from previous discussions with Head of Law, Acivico requires a set of specialist skills at Board level in order to support the development of the future strategy and therefore has defined the need to recruit a sector specialist to join</p>	Acivico Group (31 January 2022)							Budget				Forecast	£m	FY22	Run Rate	YTD	Variance	FY22	Turnover	12.723	10.488	9.147	(1.342)	11.403	Passthrough Turnover	14.054	11.821	13.718	1.897	15.695	Cost of Sales	(6.207)	(5.130)	(3.960)	1.170	(4.825)	Passthrough Cost of Sales	(14.054)	(11.817)	(13.722)	(1.904)	(15.702)	Gross Profit	6.516	5.361	5.183	(0.179)	6.571	Gross Margin %	51%	51%	57%		58%	Gross Margin % with Passthrough	24%	24%	23%		24%	Administration Expenses	(5.676)	(4.288)	(4.910)	(0.622)	(6.341)	EBITDA	0.841	1.073	0.272	(0.801)	0.230	Interest	(0.327)	(0.222)	(0.214)	0.008	(0.251)	Depreciation	(0.266)	(0.272)	(0.184)	0.088	(0.242)	Profit / (Loss) Before Tax (Current Trading)	0.247	0.579	(0.126)	(0.705)	(0.264)
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Arden Cross Limited	Strategic Development site within Solihull MB, adjacent to the NEC, Airport and Station. BCC is one of three major landowners of the site who have joined together through the company.	Ian Macleod (Alternate: Kathryn James)	33% shares and voting rights		<p>Masterplan of Arden Cross</p> <ul style="list-style-type: none"> • Part of UK Central Economic hub to include BIA, NEC and Resorts World, JLR, Birmingham Business Park and Birmingham International Station • 140 Ha of Strategic Land delivering a new sustainable community encompassing over 10Ha of landscaped public realm • A new business address delivering 6.0m sq ft of commercial development incorporating an innovation district • Up to 3,000 new homes with a mix of private and affordable dwellings • Gross Development Value of £3.2bn • New sustainable development with significant infrastructure requirement • Accommodation for 27,000 jobs with 16,000 net additional jobs • Gross Value Add of £1.4bn per annum • c 20 year delivery pipeline with promotion of accelerated delivery • £300M Enabling Infrastructure <p>Business Plan The masterplan also highlights where changes to the HS2 base to design are required, that will ensure that development at Arden Cross can be delivered to its full extent and the economic potential released.</p> <p>In order to ensure these vital changes happen a working group and protocol have been established whereby requests for design change are made to HS2 by the Urban Growth Company, HS2 respond with a cost associated for both design and delivery of the change request and HS2 provide a programme detailing when a final decision, to include funding commitments needs to be made by.</p> <p>In turn the UGC and Arden Cross have negotiated a complex Value Capture agreement that details how the Shareholders in Arden Cross will contribute towards these costs.</p> <p>Detailed project cashflows and funding models to support the delivery of enabling infrastructure have been worked up with key parties inclusive of WMCA, HS2, DFT, Treasury, MCHLG, SMBC, UGC and Arden Cross. The works to date have resulted in an ‘in principle’ agreement of funding to include £50m of loan from central Government and £45m of grant through local Government.</p>

					<p>In addition to this ACL are working with SMBC/UGC to ensure the site receives an allocation in the Solihull Local Plan. ACL and HS2 have agreed a land hand back programme that details the timing that land will be made available for delivery of development.</p> <p>Arden Cross Programme HS2 have issued notice to proceed to their main works contractors who are now in design and delivery mode. As a result, the period of time to continue to influence design changes and agree the commercial documents that enable funding to flow is relatively short and the pace is being dictated by the HS2 programme. As a result, circumstances do not currently permit a reduction in the intensity or pace of work without adding significant risk and potential long-term cost and potential viability impact on the development.</p> <p>In addition to the above, ACL are now proceeding with the activity to seek an investment/development partner during 2022 and the selection process is now underway. The appointment of a delivery partner will provide certainty to the development and reduce the funding requirements on the ACL shareholders. It is anticipated that this process will conclude in Q1 2023.</p> <p>Conclusion In conclusion, ACL remain focused on the selection of a development partner, and the funding and delivery of infrastructure changes required to the HS2 scheme, that will ensure the Arden Cross vision can be delivered.</p> <p>ACL will continue to work with both central and local government as well as regional stakeholders in delivering the planning strategy that will support the development.</p>
B: Music Limited (formerly Performances Birmingham Limited)	Provision of venues for performances – Town Hall and Symphony Hall	Cllr Alex Aitken Cllr Ewan Mackey	Sole Member (Limited by Guarantee)	Nil	<p>Despite the relaxation of all formal restrictions relating to Covid 19, B:Music continues to be impacted by the pandemic and the charity is bracing itself for a challenging financial year in 2022-23. The budget is still being prepared and pending approval from trustees, but it is likely that the coming year will run at a deficit, impacting the charity's reserves.</p> <p>The main driver in this is the impact of some tours continuing to reschedule with the associated loss of primary income (rental fees or box office splits) and the associated loss of secondary (food and beverage income). This combines with a continued (slight) reduction in audiences for some genres of music which is reflected prudently in the proposed budget. A worst case is forecast with deflated audience levels continuing into the Autumn, but this may be pessimistic. Wage inflation caused by ongoing challenges in recruitment is another contributing factor. B:Music also continues to be impacted by the ongoing depleted footfall in the city which is prompting some caution in launching the Café Bar at Symphony Hall and returning the walk in box office service to normal service.</p> <p>It should be noted that a probable deficit this year does not threaten going concern and it is anticipated that the charity will return to delivering a modest surplus in 23-24.</p> <p>B:Music is contributing to the CWG Cultural Programme with a significant commission bringing together the BBC Symphony Orchestra and several local artists, and is also hosting a series of podcast recordings and associated gigs. B:Music has also joined with concert halls across Europe to express solidarity with Ukraine in this short film: https://www.youtube.com/watch?v=c0p5dmAV7N0</p> <p>As previously reported, the B:Music board and executive are ready for another challenging year but fortified by the skills and resilience developed over the past two years. The organisation is ready to act quickly, adapt and innovate in order to remain financially secure and meeting its charitable objectives.</p>
Birmingham Airport Holdings Limited	Commercial and Domestic Air travel	Cllr Tristan Chatfield	18.68%	£5.9m	<p>Commercially Confidential</p> <p>The Group continues to have strong liquidity. The Omicron variant has created relatively short-term issues and is not expected to impact the recovery in 2022/23.</p>

		Cllr Paul Tilsley CBE			<p>Following changes to Covid-19 related restrictions on air travel, the airlines are reporting strong sales recovery. Recovery, however, remains very dependent on Government policies in destination countries, in particular differing testing and quarantine/isolation requirements, and passengers are not expected to reach pre-pandemic levels in 2022/23. As activity levels rise, costs continue to be monitored and controlled.</p> <p>The West Midlands Shareholders Airport Committee continues to be fully informed regarding key strategic issues and finances.</p>
Birmingham Children's Trust Community Interest Company	Provision of Children's services	Vacant	Trust (100%)	Payment for services	<p>The Trust has moved closer to its normal business following a short circuit break at the height of the omicron variant. The Trust has maintained its system leader role, supporting and galvanising the wider children's partnership to ensure a strong post-pandemic multi-agency response is in place in the community.</p> <p>Activity levels across all areas of social care and social work practice have continued to be higher than usual over the last year or so. Domestic abuse remains the primary reason for contact to the Trust.</p> <p>Ofsted published the findings of their most recent Focused Visit to Birmingham on 1 December. We are pleased with the outcome of the visit that took place in October and we are confident that Ofsted validated our view that practice is improving. We are on a trajectory to good. There are a number of recommendations - none of them come as a surprise to us. We have plans in place for all of them.</p> <p>We have incorporated the Ofsted findings into the current Trust Development Plan to ensure that we track progress. A challenge session which focused on the progress of the Development Plan was held in January.</p> <p>There is growing evidence of the positive impact of the new Early Help service, commissioned by the Council and delivered by the Trust. An independently chaired Partnership Group oversees the developing multi-partner offer. Schools are increasingly engaged and participating, and Early Help Assessments and interventions are increasing.</p> <p>Performance Performance continues to be good with the exception of the use of agency staff and also one indicator regarding adoption performance which is outside tolerance by eight days. We continue to closely monitor demand with a focus on the front door of our services, court care proceedings and the Trust response to domestic abuse as these areas all remain extremely busy.</p> <p>In terms of challenges:</p> <ul style="list-style-type: none"> The KPI related to use of agency staff has risen to 18% and has been out of tolerance for some months. This is a consequence of the Covid pandemic which has seen a reduction in the mobility and supply of suitable permanent social workers. This is not a Birmingham issue but a national one. Our performance remains stronger than much of the region. We have also seen average caseloads rise, for reasons explained above We have seen a recent increase in the numbers of permanent social workers recruited or interested in joining the Trust. As the restrictions start to ease, aligned to our social media and marketing campaigns and additions to the value proposition, we anticipate increases in the numbers of social workers we attract and retain. We have had a recent influx of newly qualified social workers joining the Trust for their Assessed and Supported Year in Employment (ASYE). This means we should be able to start to stand down the additional agency resource that has been necessary during the pandemic. Performance in getting assessments completed in a timely way had just missed target over the 3 months July - September but has since been back on track. This is a consequence of the bulge in work referred to above. Work is ongoing to ensure both quality and timeliness are strong and we expect the indicator to remain at usual improved performance levels.

				<p>Placement stability for children in our care is exceptionally strong. This is testament to the work of our social workers and the commitment of our foster carers. Almost 90% of children placed with Trust foster carers have been in the same placement for at least a year.</p> <p>Our collective Corporate Parenting offer continues to strengthen, albeit not without challenges. The Board is stronger and is holding the Trust and other partners to account for our collective Corporate Parenting offer. At the instigation of the new Cabinet Member, the Trust has developed a proposal for a Reverse Mentoring scheme for Cabinet and CLT members. This will be brought forward imminently.</p> <p>Other developments</p> <p>We have completed the procurement process for our unique Regional Adoption Agency (RAA) and believe we have a strong partner with whom to develop an innovative and successful RAA. A joint Trust/BCC launch announcement was issued on 18 January.</p> <p>Our Fostering service was inspected in August and judged to be Good (previously rated ‘Requires Improvement’).</p> <p>As described above the Ofsted focused visit in October validated our view that practice is improving and we are on a trajectory to good.</p> <p>The Trust continues to play a key role in many of the city’s partnerships including the Safeguarding Children Partnership, the Community Safety Partnership and the Children’s Partnership. We instigated the Partnership Operational Group that has galvanised the city’s Covid response and we have supported the partnership planning for the post-pandemic recovery period.</p> <p>The Trust continues to chair the Partnership Operational Group where work continues to build a stronger prevention offer. The investment, through the Birmingham Children’s Partnership, in Early Help, alongside the Trust’s comprehensive Stronger Families programme, are crucial limbs of a strategy to maintain a care population lower than statistical neighbours and core cities, keeping more children in their families through effective early help and family support. This is good for children and families and a good use of scarce resources.</p> <p>The Trust has opened key buildings and is enabling staff to return to the office for 2-3 days per week, to support face-to-face contact with colleagues, team meetings and supervision. We are looking for new sites from which to operate as the Council proceeds to dispose of the buildings the Trust uses (notably Lancaster Circus and potentially New Aston House).</p> <p>We are currently mapping short-term and longer-term accommodation needs. The principles of family friendly spaces within local communities underpin this planning. We anticipate needing to rent privately rather than from the Council’s stock.</p> <p>Serious youth violence is an important and pressing concern for the city. The Trust is working with the Community Safety Partnership, the Violence Reduction Unit and West Midlands Police, to develop an effective strategic and operational response.</p> <p>The Trust has reviewed its services for disabled children, through the Children First project, in order to modernise and improve our offer and the effectiveness of our responses, as well as positioning us well to support improvements in the area of SEND.</p> <p>Finance</p> <p>The Trust’s overall financial position at Month 10 reflects a forecast overspend of £1.8m. This is a reduction of £2.4m from Month 7 which reflects a £2.1m contribution from the Household Support Fund and one-off net savings achieved of £0.3m. The overspend is driven primarily by placement costs. An increase in the care population, complexity of needs and increased demand for supported accommodation are the key causes of this pressure. The Trust’s Stronger Families</p>
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Birmingham City Propco Limited	Management and Leasing of Commercial Property	Alison Jarrett Simon Delahunty-Forrest	100%		<p>Update on Hotels:</p> <p>HILTON METROPOLE HOTEL, NEC</p> <p>Lease Description: 99 year term from 1/2/1976 with an option to extend by 26 years Income: Rental income with a supplemental income adjustment based on 2.5% of Gross Turnover (if higher than current year income).</p> <p>Rental paid Half-Yearly in Arrears and subject to a review of the base level income on a 7-year pattern. Next review of base rent due 1/2/2025 and calculated using average of previous rental figures over a set period.</p> <p>A payment plan was entered into during the pandemic to assist the hotels in achieving rental payments during that time. The payment plan was adhered to and all rental arrears have been paid in full and the account is now clear.</p> <p>The effect of the hotel being closed for a period of approximately 6 months and the continued significantly reduced trade will affect the potential for any supplemental rent income. However, due to the way the supplemental figures are calculated, it is expected that the Supplemental Rent calculation may be protected. We are currently awaiting the audited account for the supplemental rent review.</p> <p>CROWNE PLAZA, NEC</p> <p>Lease description: 99 year term from 18/2/2002 with an option to extend by 26 years. Income: Rental income with a supplemental income adjustment based on 3% of Gross Annual receipts. Supplemental is paid as an annual one-off payment upon receipt of invoice.</p> <p>Rental is paid Quarterly in Advance and subject to review based on a 10% increase on the previous period. Reviews are on a 5 year pattern with the next due on 15/4/2022.</p> <p>Similarly to above, a payment plan was agreed with the hotel during the pandemic and this was adhered to and all rental arrears have now been paid in full and the account is clear.</p> <p>Due to the construction of the lease and the trading record of the Crowne Plaza, the income projections are much more susceptible to fluctuations in the supplemental rent calculations. Audited trading accounts have been requested in order to calculate any supplemental rents due.</p> <p>SUMMARY</p> <p>Whilst Prop Co is largely protected in terms of income due to accounting dates and adherence of payment plans that have been implemented there is likely to be a dip on the overall income collected over the next two-year period.</p>

					From a valuation aspect, the Capital Valuation of both hotels are showing a significant dip. This is due to a number of factors surrounding market forces and market confidence together with projected income for the hotels and it is therefore expected for the Capital Valuations to show increases once normal trading resumes, however, it is possible that market confidence might well take 12-36 months to fully restore to pre-pandemic levels which may appear to tailor growth of the assets.
Birmingham Museum Trust	Provision of museum services	Cllr Robert Alden Cllr Philip Davis	100% (Trust)	Payment for services	<p>General update on progress and activities</p> <ul style="list-style-type: none"> Despite the impact of Covid the museums have been exceeding national trends with 84% occupancy year to date We are on track for submitting our 2023-26 Arts Council England National Portfolio Organisation by May 2022. BMAG reopening is still on track for reopening 28th April. There will be a special viewing from 6pm on Wednesday 27 April if any members would like to be invited. We're awaiting the outcome of a £4.9m repairs and maintenance grant fund for Birmingham Museum & Art Gallery <p>Latest available finance summary</p> <ul style="list-style-type: none"> Forecasting 2021-22 to budget Earned income is tracking ahead of forecast despite the latest covid variant Healthy reserve position due to CRF emergency funding to ensure 2021-22 budget if required <p>Risks or areas of concern</p> <ul style="list-style-type: none"> We have a healthy visitor figure but still trading over 10% down on 2019-20 BMAG is due to reopen 28th April however the current risks to the Council House including rewiring of BMAG are putting this date at risk – as BMAG will be a key aspect of the culture programme in 2022 support may be needed to ensure public offer is available 2022-23 BCC service fee is expecting no uplift for inflation which is in affect a cut to BMT. We would like BCC to reconsider this as 2022-23 is a tougher year and can be part of the city recovery and means pausing or stopping planned 2022-23 activity On top of recent inflation increase and rising costs we now expect the impact of the war in Ukraine to further increase costs for goods and services Filling vacancies continues to be challenging due to high competition Our estate is continuing to deteriorate so a joint approach is needed for a long-term strategy (10+ years)
Birmingham Wholesale Market Limited	Corporate Joint Venture to run the Wholesale Market Hub	Ian Chaplin Kathryn James Rob James	50%		No Update to previous report
InReach (Birmingham) Limited	Construction and management of private rental properties	Guy Olivant Colette McCann	100%	Loans in place for construction costs	Awaiting Update
Paradise Circus Partnership Limited	The main vehicle for the redevelopment of Paradise Circus	Kathryn James Guy Olivant	50/50 joint venture		Awaiting Update