

BIRMINGHAM CITY COUNCIL

CABINET COMMITTEE - GROUP COMPANY GOVERNANCE

THURSDAY, 20 FEBRUARY 2020 AT 12:30 HOURS
IN COUNCIL HOUSE EXTENSION, COMMITTEE ROOM C, 6
MARGARET STREET, BIRMINGHAM, B3 3BG , [VENUE ADDRESS]

A G E N D A

1 **APOLOGIES**

To receive any apologies.

2 **DECLARATIONS OF INTERESTS**

Members are reminded that they must declare all relevant pecuniary and non pecuniary interests arising from any business to be discussed at this meeting. If a disclosable pecuniary interest is declared a Member must not speak or take part in that agenda item. Any declarations will be recorded in the minutes of the meeting.

3 **ACIVICO LIMITED - PEN PORTRAIT**

3 - 26

Report of AD Commercial and Development, Finance and Governance

Presentation by Ian Benson

4 **DATE OF NEXT MEETING**

The next meeting is scheduled on Thursday 12 March 2020 at 1400 hours in HMS Daring, Council House.

5 **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman are matters of urgency.

6 **EXCLUSION OF THE PUBLIC**

That in view of the nature of the business to be transacted which includes exempt information of the category indicated the public be now excluded from the meeting:-

Exempt Paragraph 3

PRIVATE AGENDA

7 ACIVICO LIMITED - PRIVATE

Item Description

8 OTHER URGENT BUSINESS (EXEMPT INFORMATION)

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman are matters of urgency.

Public Report

Birmingham City Council**Report to Cabinet Committee – Group
Company Governance**

20 February 2020



Subject: Acivico Limited – Pen Portrait
Report of: Interim Chief Finance Officer
Relevant Cabinet Member: Councillor Brigid Jones
Relevant O &S Chair(s): Councillor Sir Albert Bore
Report author: Martin Stevens

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

- 1.1 This report sets out summary information in respect of Acivico Limited as background information to the company update presentation on this agenda.

2 Recommendations

- 2.1 Members are recommended to note the information in this report.

3 Background

- 3.1 Acivico Limited (Acivico) was created as a wholly owned subsidiary of the Council in September 2011.

3.2 Acivico operates through two active subsidiaries:

- Acivico (Building Consultancy) Limited
- Acivico (Design, Construction and Facilities Management) Limited

3.3 Acivico has been designed as a Teckal company, which means that 80% or more of its activity has to be through contracts for services with the Council. The benefit of being a Teckal company means that contracts may be awarded without going through a public tendering exercise.

3.4 Acivico created a third subsidiary company, Acivico Traded Services Limited, in August 2019. The company has been created with the intention of growing the business externally (outside of the Council service agreement), and which could include winning work from the Council under competition.

3.5 The principal activities of the group of companies were for the provision of consultancy (BC) and design, construction and facilities management (DCFM) within the construction and property industry. The company holds two principal contracts with the Council for the delivery of DCFM and BC services, including the statutory function of Building Control within the Council's administrative boundary. The company also generates income through the provision of services through external contracts.

3.6 During 2019/20, Acivico has been undertaking significant transformation and restructuring activities to address matters that were reported to Cabinet Committee in December 2018. Acivico will provide a progress report at this meeting.

3.7 A summary of Acivico, including details of its financial position, are set out in Appendix 1 to this report.

4 Options considered and Recommended Proposal

4.1 This report provides information to Members on Acivico Limited.

5 Consultation

5.1 This report is being presented under any other urgent business.

6 Risk Management

6.1 This report provides information for Members and there are no risk management issues arising.

7 Compliance Issues:

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

- a) The Council has created companies to support the delivery of services.

7.2 Legal Implications

- a) There are no legal implications associated with this report.

7.3 Financial Implications

- a) There are no financial implications directly arising from this report.

7.4 Procurement Implications

- a) There are no procurement implications directly arising from this report.

7.5 Human Resources Implications

- a) There are no Human Resource implications directly arising from this report.

7.6 Public Sector Equality Duty

- a) There are no specific Equality Duty or Equality Analysis issues relating to the proposals set out in this report.

8 Background Documents

None

Acivico Limited
Company N°: **07792304**

Subsidiary Companies	Acivico (Building Consultancy) Limited		23 January 2012
	Acivico (Design, Construction and Facilities Management) Limited		23 January 2012
	Acivico Traded Services Limited (dormant)		1 August 2019
Directors	Ian Briggs (Chair)		
	Councillor Peter Griffiths		
	Councillor Frederick Grindrod		
	Alison Heather McKinna		
	Councillor Kenneth Wood		
	Ian Benson		
Senior Officers	Ian Benson – Chief Executive Officer - Interim		
	Christopher Hall – Deputy Chief Executive & Director of Operations - Interim		
	Vicki Palazon – Director for Finance & Resources – Interim		
	Ian Moss – Director for Organisational Development & HR - Interim		
Company Purpose	Acivico is a multi-service company providing services in design, construction, facilities management, building control, laboratories and cleaning to clients across the public and private sectors.		
Financial Year End	31 March		
Filing Date	31 December		
Financial Information	2018/19	2017/18	2016/17
Accounts Filed	11 October 2019	27 December 2018	6 April 2018
	£m	£m	£m
Turnover	31.4	31.4	35.5
Operating Profit/(Loss)	(3.1)	(6.3)	(2.3)
Profit/(Loss) after tax	(3.3)	(6.5)	(2.5)
Balance Sheet			
Fixed Assets	1.8	2.1	2.3
Current Assets	9.9	12.2	15.1
Current Liabilities	(16.2)	(18.7)	(18.2)
Other Liabilities	(0.3)	(0.5)	
Pension Liability	(10.9)	(9.3)	(7.8)
Net Assets/(Liabilities)	(15.8)	(14.2)	(8.6)
Profit & Loss A/c	(15.8)	(14.2)	(8.6)
Net Reserves	(15.8)	(14.2)	(8.6)

Acivico
GROUP

Looking Ahead

Overview

Strategy 2020/23

Next Steps

CHANCE

Birmingham City Council

Cabinet Committee
Group Company Governance

RICS
ISO 9001
Registered
Quality Management

UKAS
MANAGEMENT SYSTEMS
CERTIFICATION
118

LABC
LABORATORY
ACCREDITED

CHAS
CUSTOMER
EXCELLENCE
STAR

Overview

- Purpose
of this presentation to Committee
- Background
the journey to date
- Current Position
where we are today

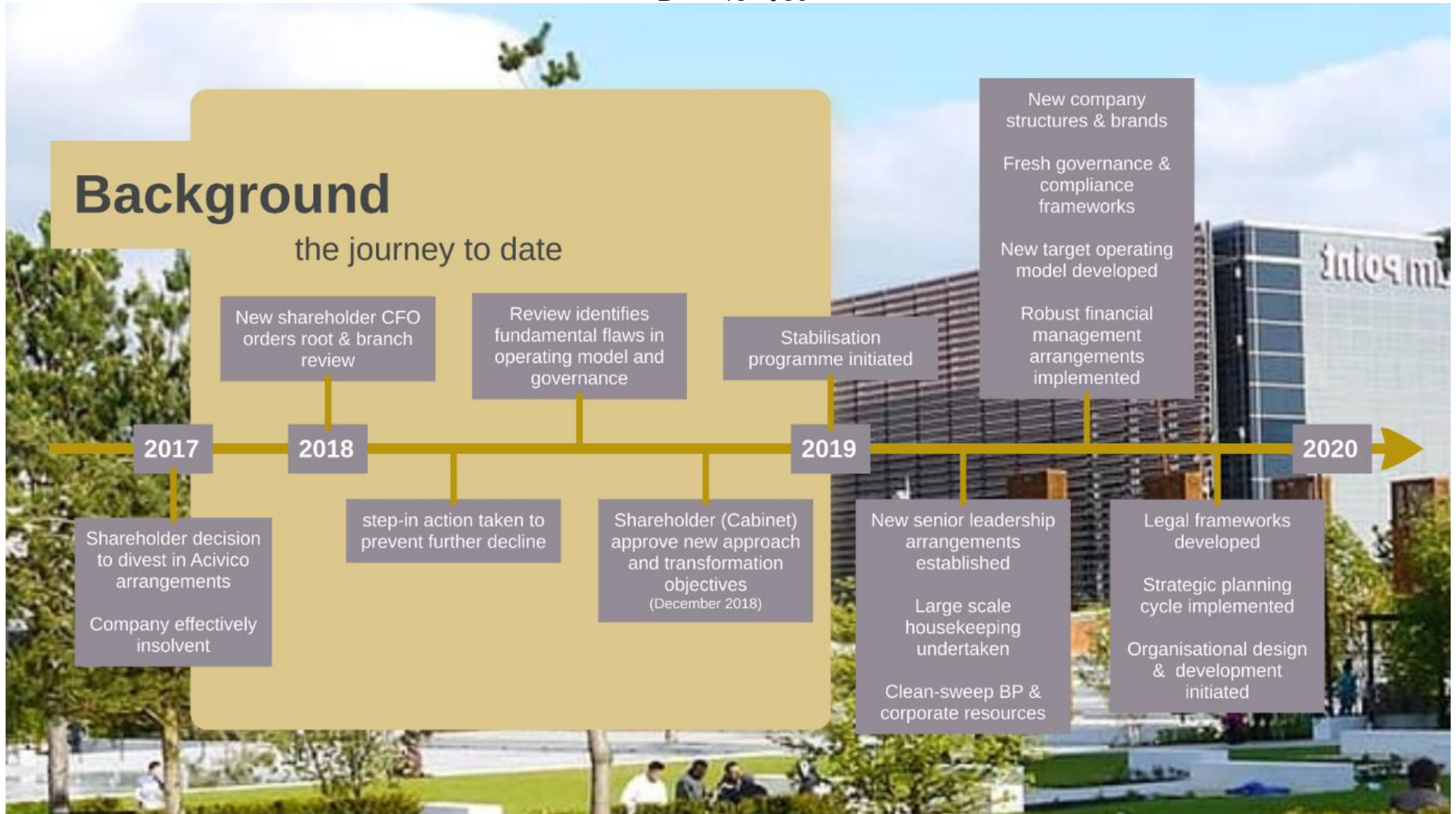
Purpose

Background

Current
Position

Purpose

- Update on progress achieved
- Consult on elements of the new Strategic Plan
- Engage on final phase of change



Current Position

Headline Numbers			
	2017/18	2018/19	2019/20
Losses After Tax	-£6.5m	-£3.3m	-£0.7m*
Overhead Reductions	-	25%	50%*
Debt	-£1.9m	-£1.2m	-£0.6*m

*Forecast out turn position at period 9

Current Position

Headline Developments

- Established effective HR management and strategy (bringing practice in line with minimum legal standards and compliance)
- New e-learning solution introduced, providing standard and enhanced training and professional development for all staff, including voluminous vocational courses for individual personal development
- Base lined all roles to enable competency based development, performance management and effective succession planning

Current Position

Headline Achievements

- Revenue visibility of 83% for the following year
- Commencement of new contracts for Housing, Birmingham Property Services and EDSI (Educational Structural Investment)
- Re-procurement of the new Construction West Midlands R&M Framework saving between 12% and 15% for BCC

Looking Ahead

What does Acivico need to do to deliver upon its Shareholder's expectations?

Diversify

Effectiveness

Growth

Diversify Revenue

- Diversification of Acivico's customer base reduces the reliance on BCC income to maintain viability; and
- Diversification of Acivico's revenue generating opportunities (services provided), reduced the risk of sensitivity to changing market conditions.

Diversification contributes to reducing the risk to the Shareholder regarding the ongoing viability of Acivico

Effective Business

- Align overheads to the sector;
- Bring practice up to date;
- Develop culture & mindsets; and
- Strengthen governance.

LATC & Ltd hybrid - A publicly owned private company, based on civic values with a commercial mindset



Growth

- In order to resolve legacy liabilities, growth will enable moving towards positive surplus position; and
- Growth in regional/national presence is also required, to open up more markets to deliver diversification objectives.

Ultimately, Acivico needs to become an 'asset of value' for its Shareholder, rather than a liability.



Our Values

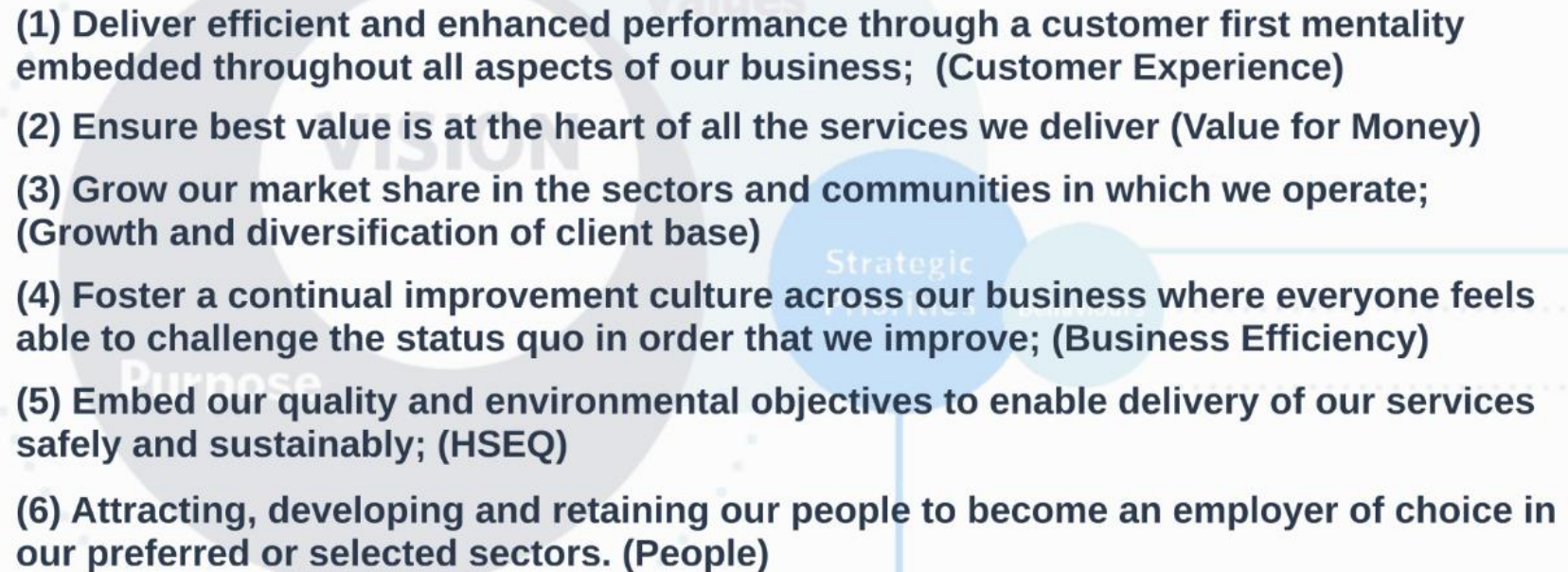
Achievement
Collaboration
Integrity
Value
Inspiration
Commitment
Openness

*"Our values have been
chosen by the business,
for the business"*



*"Our values have been
chosen by the business,
for the business"*

Strategic Priorities

- 
- (1) Deliver efficient and enhanced performance through a customer first mentality embedded throughout all aspects of our business; (Customer Experience)
 - (2) Ensure best value is at the heart of all the services we deliver (Value for Money)
 - (3) Grow our market share in the sectors and communities in which we operate; (Growth and diversification of client base)
 - (4) Foster a continual improvement culture across our business where everyone feels able to challenge the status quo in order that we improve; (Business Efficiency)
 - (5) Embed our quality and environmental objectives to enable delivery of our services safely and sustainably; (HSEQ)
 - (6) Attracting, developing and retaining our people to become an employer of choice in our preferred or selected sectors. (People)

Success Measures

Our key performance indicators (KPIs)

We monitor a broad range of financial and non-financial performance measures to assess our performance and progress in delivering this Strategic plan.

In addition to the various KPIs contained within our contracts, the measures in this section set out the key metrics in place for the whole Acivico Group, designed to support our Board in assessing our overall performance.

Each KPI is directly linked to our strategy, detailed on pages 6 and 7 above.

Within this new Strategic Plan 2020 – 2023, we are introducing new measures to monitor our Group performance. This means that in some instances we do not have baseline management information from which to measure the progress made in the first year. As such, the data collected in 2020/21 period, will provide us with an opportunity to further review the appropriateness of these measures and our targets.

1. Excellence in our customers' experience
Definition: - Customer complaints vs commendations
 - Customer satisfaction survey scores
Link to strategy: 3

2. Excellence in our service performance
Definition: Combined scores for all contracts within each business unit area
Link to strategy: 3

3. Safe business
Definition: RIDDOR reportable incidents (RIa)
 Lost time incident frequency rate
Link to strategy: 3

4. Added value
Definition: Value of savings to customers through over-performance and our Social Charter commitments
Link to strategy: 3

5. Employee engagement
Definition: Employee engagement (EE) score from satisfaction survey, and number of events held by the GLT
Link to strategy: 3

6. Gender balance
Definition: The ratio of male to female employed at Acivico.
Link to strategy: 3

7. Sustainable business
Definition: Direct consumption of water/energy by the business
 Direct/indirect waste recycling achieved across Acivico
Link to strategy: 3

8. Total revenue growth
Definition: Percentage change in annual revenue
Link to strategy: 3

9. Underlying operating margin
Definition: Underlying operating profit as a percentage of total revenue
Link to strategy: 3

10. Cash conversion
Definition: Underlying cash inflow from operations divided by underlying profit from operations.
Link to strategy: 3

11. Book to Bill ratio
Definition: Amount of work won during the year as a proportion of the work executed and booked as revenue.
Link to strategy: 3

12. Net debt to EBITDA
Definition: Net debt at the year-end divided by Earnings before Interest, Tax, Depreciation and Amortisation.
Link to strategy: 3

Principle risks to the success of delivery of the business plan are:

- sufficiently diversifying Acivico's customer base, so as to spread the reliance of income across a wider based of clientele; and
- diversifying Acivico's revenue streams, so as to have a wider portfolio of provision that can better withstand changes in individual market factors.

- **Effective Governance**
- **New Operating Model**
- **Commercial Delivery**

(for reasons of commercial sensitivity, further details to be provided in private session)



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LinkedIn – [linkedin.com/company/acivicogroup](https://www.linkedin.com/company/acivicogroup)



Twitter – [twitter.com/@AcivicoGroup](https://twitter.com/AcivicoGroup)



Vimeo – vimeo.com/acivico