

Birmingham City Council

Report to Cabinet Committee – Group Company Governance

9th March 2023



Subject: The National Exhibition Centre (Developments) Ltd -
Company Pen Portrait

Report of: Alison Jarrett, Director Group & Capital Finance

Relevant Cabinet Member: Councillor Brigid Jones

Relevant O &S Chair(s): Councillor Akhlaq Ahmed

Report author: Alison Jarrett

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

The National Exhibition Centre (Development) Ltd (NECD) is to present to Members on the private agenda. This report provides Members with a pen portrait of the company.

2 Recommendations

2.1 Members are asked to note the information provided

3 Background

- 3.1 NECD was established in January 1997 as a Private Limited Company and in May 1997 the Company re-registered as a Public Limited Company. Its principal objective was to raise finance, construct, operate and manage property at the National Exhibition Centre. The Company issued £73m 7.5625% Guaranteed Unsecured Loan Stock 2027. This loan stock is listed on the London Stock Exchange and is guaranteed by BCC.
- 3.2 In May 1997, the Company entered into a Shareholders' Agreement with Birmingham City Council, EMAP Business Communications Ltd and Birmingham Chamber of Commerce and Industry, forming a joint venture for the purpose of constructing new exhibition halls, Halls 17-20, at the NEC. The Company issued 50,000 £1 Preference Shares to BCC and 50,000 £1 preference shares to EMAP, all fully paid. £2.5m loan stock was also issued to BCC and EMAP. Once trading started, the NEC paid a share of the net income achieved to the Company.
- 3.3 In March 2010 BCC acquired the shares and outstanding loan stock held by EMAP, and in September 2010 BCC acquired all the shares held by Birmingham Chamber of Commerce and Industry. BCC then became sole shareholder of the Company.
- 3.4 In May 2015 BCC sold the NEC. From that point, BCC provided a guarantee to pay all outstanding capital and interest payments due on the 2027 Loan Stock issued by the Company. The lease on the constructed halls (not the entire property) was assigned to the NEC for consideration of £21m. The result of the transactions for NECD was the effective contribution by BCC to the NECD (wholly owned by BCC) of £12.6m.
- 3.5 NECD does not trade or have any employees. Its main risks arise from interest rate and liquidity risk. To address these risks, the company finances its operations through fixed rate debenture stock in sterling, and addresses liquidity by ensuring that the maturity profiles of its borrowings and investments are matched.
- 3.6 The role of NECD Ltd is to ensure continuity of available funding by making BCC aware of its likely cashflow requirements as BCC meets the costs relating to the 2027 Loan Stock and reimburses the Company's administrative expenses.

3.9 Board Directors are:

- | | |
|----------------|--------------------------------------|
| Mohammed Sajid | - Interim Head of Financial Strategy |
| Alison Jarrett | – Director Group and Capital Finance |

4 Options considered and Recommended Proposal

- 4.1 This report provides information to Members on NECD Ltd and will assist in the exchanges and discussion on the presentation within the private agenda.

5 Consultation

- 5.1 The Chair of the Committee has been consulted on the attendance of NECD Ltd.

6 Risk Management

- 6.1 This report provides an outline of the company and background for discussion of company performance with the company representatives.

7 Compliance Issues:

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

The Council provides services to community through a number of different vehicles. This report provides information on Propco.

The recommended decision supports the Birmingham City Council Plan 2022, priority 1 - Prosperous: through continued economic growth, tackling unemployment, attracting inward investment and infrastructure, and maximising the opportunity of the Commonwealth Games

7.2 Legal Implications

The Council's Section 151 Officer has a duty to ensure the proper administration of the Council's financial affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.

7.3 Financial Implications

There are no financial implications directly arising from this report but Members should consider any questions or considerations arising from this report for discussion during the private agenda.

7.4 Procurement Implications

There are no procurement implications directly arising from this report.

7.5 Human Resources Implications

There are no human resources implications directly arising from this report.

7.6 Public Sector Equality Duty

There are no equality duty or equality analysis issues relating to the proposals set out in this report.

8 Background Documents

none