

BIRMINGHAM CITY COUNCIL

CABINET COMMITTEE – GROUP COMPANY GOVERNANCE

Thursday 12 November 2020 at 1400
hours via an On-line meeting

Attendance:

Councillor Brigid Jones, Deputy Leader - Chair
Councillors Tristan Chatfield, Gareth Moore, Jon Hunt

Also in Attendance:

Mark English	Programme Manager for Birmingham Municipal Housing Trust (BMHT), Housing Development
Alison Jarrett	Assistant Director - Development and Commercial, Finance & Governance
Georgina Dean	Solicitor, Legal Services
Mandeep Marwaha	Committee Services

1 NOTICE OF RECORDING/WEBCAST

The Chairman advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's Internet site (www.civico.net/birmingham) and members of the press/public could record and take photographs except where there were confidential or exempt items.

The business of the meeting and all discussions in relation to individual reports was available for public inspection via the web-stream.

APOLOGIES

2 There were no apologies noted from Members.

Connie Price, Head of Law – (Commercial, Procurement, Privacy & Information) submitted apologies for her inability to attend the meeting.

DECLARATIONS OF INTERESTS

3 There were no declarations of interests made whilst covering this item.

However, later in the Committee declarations of interest were noted.

- Councillor Moore declared he was a trustee of the Birmingham Citizen's Advice Bureau Service.

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- Councillor Chatfield declared he was a member of the Birmingham Airport Board.

PUBLIC NOTES OF THE LAST MEETING – 17 SEPTEMBER 2020

- 4 The public notes of the last meeting were agreed and there were no matters arising.

COMPANY UPDATE

The Assistant Director Commercial and Development had technical issues and was unable to connect to the Committee.

At this juncture, no updates were presented and the Committee referred back to this item later.

COMMONHOLD COMMUNITY ASSOCIATION – TUDOR ROSE GROVE

The following report of the Interim Assistant Director, Housing Development was submitted:-

(See document No.1) – (Page 11 of the document pack)

The Solicitor informed Members the report sought approval for the creation of a Commonhold Association company. This was a company limited by guarantee to enable the implementation of a Commonhold Community Statement amongst homeowners in Tudor Rose Grove (off Ebrook Road). Tudor Rose Grove is a Birmingham Municipal Housing (BMHT) sale development of 6 units in the Sutton Coldfield ward.

She highlighted, Birmingham City Council would need to incorporate the Company as a sole member which would then get transferred to the homeowners on completion of the sale of the units.

The Programme Manager for BMHT, informed the Members the Commonhold Community Statement was not common practice within the Council. This was the first time such an agreement had been used though alternatives routes had been explored. These were noted as;

- 1) Road adoption – This option was not pursued as the width of the road did not meet the legal requirements. Vehicles could not access the road safely e.g. bin lorries were unable to reverse through the road. There were no turning circles or any space to accommodate one and as a result, this option was rejected.
- 2) Management Company – The site was very small containing only 6 units hence, there would be little or no interest. If this option was taken, it would have pushed high management charges onto prospective owners

and therefore it would not be economically viable. As a result, this option was rejected.

- 3) Retain ownership by BCC (Commonhold Agreement) - this option would result in an ongoing repairs and maintenance responsibility for the Council which was not desired as Tudor Rose Grove is a private development.

The Programme Manager for BMHT, Housing Development Manager outlined the Commonhold Agreement provided a solution to the City with minimal risks. Five out of six properties from the scheme had been reserved and any surplus made from the sale of the scheme would go back into the BMHT programme for the provision of Social Housing.

There were concerns on this proposal and he wanted to provide clarity to the Committee. The intention was to set up a company which would rapidly dissolve early next year following the sale of the properties.

The Chair added the proposal of creating a Commonhold Association would be a vehicle to maintain the road. She did not have an issue with the creation of the company as it was a good solution to the problem of shared ownership and management however, residents had ongoing concerns around the ownership to the maintenance of the roads. There was no common vehicle to make improvements to the roads or repairs. The Chair added these schemes should not be built in the first place as unadopted roads were being created and causing difficulties to residents.

Key points highlighted by the Committee and in response to Members questions, the following points were noted;

- The Company would eventually be fully owned by the homeowners and Birmingham City Council will have no further involvement with this i.e. The Council's interest would dissolve.
- Councillor Hunt had concerns on homeowners taking ownership of the limited company and there would be a legal obligation attached to the properties therefore it was essential to provide continuity as the responsibilities would lie with the owners.

In response, the Programme Manager for Birmingham Municipal Housing Trust (BMHT), Housing Development assured the Committee the proposals had been given sufficient consideration and a steer could be given to the incoming owners to outsource or affiliate the management of the Company.

- Councillor Moore highlighted a number of discussions had taken place on BMHT schemes being built on ex-industrial sites where the access was unsuitable. Concerns such as fire safety accessibility and overspill of parking onto neighbouring roads had been raised a number of times. This was a wider issue for the Council to consider as a number of problems related to BMHT schemes occurred later. Though it addressed

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the housing need, these types of proposals become problematic later therefore it was beneficial to relook at how the sites were utilised. He was concerned around setting up the Company only to pass on the risk to the homeowners of the 6 properties and queried how the homeowners would instruct a management company to undertake the works on their behalf.

In response, the Programme Manager for Birmingham Municipal Housing Trust (BMHT), Housing Development indicated this was an exception and assured Members this would not be repeated in future. There was the inability for the Housing Revenue Account (HRA) to continue with the maintenance past the point of sale because the HRA could not subsidise or provide services for owner occupiers. In the future, it would be viable for a Management Company to cover the area and charge at a commercial rate to undertake the maintenance work. At present this option was not available. BCC could not continue the subsidy whilst waiting for market conditions to change.

- Councillor Chatfield felt that under the current circumstances and upon reviewing the proposal, this was the best workable option to pursue. However, in future these types of developments should be avoided.

The Chair was in agreement with comments made by the Members and was not satisfied that this development existed however, the proposals presented before the Committee was the best solution going forward.

The Chair reiterated that in future, only developments that can be adopted should be built.

RESOLVED:-

- 5 The Committee;
- i) Approved the creation of a company limited by guarantee to act as Commonhold Association company as a vehicle to implement a Commonhold Community Statement at Tudor Rose Grove (off Ebrook Road).
 - ii) Approved Birmingham City Council being registered as a member of the Commonhold Association until completion of the sale of the last unit into Private ownership.
 - iii) Approved the appointment of two Birmingham City Council nominated Directors to the Commonhold Association.
 - iv) Authorised the City Solicitor (or their delegate) to execute and complete all necessary documentation to give effect to the above recommendations.

COMPANY UPDATE

The following report of the Assistant Director, Commercial and Development

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was submitted:-

(See document No.2) – (Page 7 of the document pack)

The Assistant Director Commercial and Development made reference to the Birmingham Airport accounts. She mentioned the consolidated accounts were publicly available on the Companies House website.

The auditors reported there were no material misstatements within the accounts. Additional work had been undertaken over several areas relating to the airport and they were satisfied that the accounts were materially accurate. Whilst the accounts are not qualified, the auditor does draw the attention of the reader to a material uncertainty concerning going concern in relation to the company and the group.

She highlighted this was a 'note' in the accounts to highlight as a result of Covid-19, Birmingham Airport had suffered a drop-in income and passenger numbers. Birmingham Airport has outstanding loans with conditions attached. These conditions indicate that at certain points during the year, a test on the profits are to be taken which have had a hit due to covid-19 therefore in danger of failing covenant. The covenant was given during the pandemic but had been deferred however there would be another test next year (June 2021).

If Birmingham Airport and the Air Industry have not recovered sufficiently, then the Birmingham Airport would fail the covenant and to avoid this it would have to show that it had recovered its position by increased shareholding or increased contributions.

At this juncture, Councillor Chatfield declared that he was a Board Member of the Birmingham Airport.

No further comments were made by the Committee.

RESOLVED:-

- 6 The Committee noted the information provided within the report and at private appendix 1 which contains commercially confidential details concerning associated companies.

ACIVICO LIMITED – PEN POTRAIT – PUBLIC

The following report of the Assistant Director, Commercial and Development was submitted:-

(See document No.3) – (Page 23 of the document pack)

The Assistant Director Commercial and Development informed the Committee the Board Members for Acivico Limited had previously attended the Committee and provided updates.

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She highlighted Acivico Limited had a successful year in 2019/20. Acivico Limited filed accounts showing a turnover of £25m giving rise to a profit of £4m (after exceptional/pension settlement gain of £3.5m).

It was noted Chris Hall had been appointed as the new Group Managing Director. Other members of the Leadership Team; Vicki Palazon, Mark Holden and Ian Moss had been with the organisation for at least 12 months therefore continuity was in place.

A further presentation would be provided on the private agenda.

No further comments were made by the Committee.

RESOLVED:-

- 7 Members are asked to note the information provided.
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DATE OF NEXT MEETING

- 8 The next meeting is scheduled to take place on Thursday 14 January 2021 at 1400 hours via on-line meeting.
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OTHER URGENT BUSINESS

- 9 There was no urgent business to consider.
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EXCLUSION OF THE PUBLIC

RESOLVED:-

- 10 That, in view of the sensitive nature of the discussion due to take place relating to Companies update and Acivico Limited, the public be now excluded from the meeting.
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