

(Revised August 2022)

BIRMINGHAM CITY CENTRE ENTERPRISE ZONE

MEMORANDUM OF UNDERSTANDING

AUGUST 2022

1.0 Purpose

- 1.1 This Enterprise Zone Memorandum of Understanding (MoU) provides clarity to the parties, named at section 2.0 below, about the roles and responsibilities of each party to ensure that there is mutual understanding of the contributions each organisation is making, the role of each party and the risks and benefits accruing to each party.
- 1.2 It should be noted that whilst this document has serious intent and each party will use best endeavours, this is not a legally enforceable contract between the parties and is agreed on a voluntary basis and as such has moral force.
- 1.3 This document covers the arrangements between each of the parties listed at section 2.0 below and does not cover the governance and financial arrangements on a project-by-project basis.
- 1.4 Whilst major capital projects in the Birmingham City Enterprise Zone (EZ) may have existing dedicated arrangements (only Paradise currently) it is the intention for all projects (capital and revenue) to reflect this MoU in terms of governance and delivery arrangements. Any additional arrangements will be subject to a separate approval process in accordance with both Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP) and Birmingham City Council (BCC) governance arrangements.

2.0 Parties to this agreement

- GBSLEP as overall responsible organisation for EZ strategy and delivery;
- GBSLEP as a Project Sponsor;
- Birmingham City Council in its role as Accountable Body to GBSLEP;
- Birmingham City Council as a Project Sponsor;
- Birmingham City Council as host of the Enterprise Zone (Delivery Partner) and EZ Funder.

3.0 Current roles and responsibilities for the Enterprise Zone

- 3.1 The latest governance and programme delivery arrangements are set out in the Enterprise Zone Investment Plan (EZIP) 2019. The responsibilities are as follows:

GBSLEP is responsible for:

- Overall strategic ownership;
- Monitoring, reviewing and updating the Enterprise Zone Investment Plan;
- Overall programme management to support delivery of the objectives in the Strategic Economic Plan and/or economic strategy as established by the Combined Authority Economic Growth Board.
- Leading the delivery of GBSLEP EZ projects;

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- Managing the EZ Project Pipeline;
- Co-ordinating all aspects of appraising funding applications, granting project investment approvals and change requests at Programme Delivery Board (PDB) and LEP Board or prevailing governance structure;
- Ensuring that project specific grant agreements are in place;
- Quarterly monitoring of projects in accordance with the Assurance Framework; and
- Six-monthly reporting of the EZ programme to BEIS.

BCC is responsible as Accountable Body to GBSLEP for:

- Collection, management and redistribution of the Business Rates Income (BRI);
- Jointly managing project delivery agreements with GBSLEP in accordance with the terms and conditions of each GBSLEP/BCC agreement.
- Accounting for transactions and maintaining records pertaining to the EZ activity
- Providing s151 and internal audit oversight of the programme governance

BCC is responsible as Enterprise Zone Project Sponsor for:

- Leading the delivery of BCC EZ projects and providing technical support.

BCC is responsible as EZ Delivery Partner and EZ Funder for:

- Maintenance and development, in partnership with GBSLEP, of the funding model;
- Assessing affordability of the EZ financial model in accordance with the approved financial principles;
- Approving borrowing for EZ projects within the agreed Investment Plan (subject to affordability in accordance with the approved financial principles); and
- Providing funding for EZ projects (subject to affordability in accordance with the approved financial principles).

As EZ Funder, BCC reserves the right to refuse providing EZ funding in accordance with the approved financial principles.

4.0 Designated Leads

- **GBSLEP** – Chief Executive or Director/EZ Programme Lead
- **BCC** – Section 151 Officer or Deputy Section 151 Officer
- **BCC Project Delivery** – Director of Place, Prosperity and Sustainability or designated officer

5.0 Financial arrangements

- 5.1 The finance to fund the programme is provided by net uplift to the Business Rates income (BRI) across the entirety of the 39 commercial sites in the EZ. It is acknowledged that BRI will be low whilst projects are in development and will rise when key sites such as Paradise and Smithfield become occupied. To enable the early development of EZ projects, capital funding is raised through prudential borrowing by BCC against projected business rates income up to 2046. As authorised by Government, the future business rates uplift can be 100% retained over that time-period.
- 5.2 The EZ financial model was developed by BCC in 2014 to assess the affordability of the planned capital project expenditure and to forecast the level of BRI that would be

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generated by the sites in the EZ at that time. The model also contains the revenue costs of running the EZ programme, which are used to fund the programme management, feasibility studies, marketing, enabling projects, etc.

- 5.3 Finally, the model calculates the funding/borrowing needed to pay for the capital projects each year and the costs of repaying this borrowing, principal and interest.
- 5.4 The latest financial model (Q4 2021/22 Model) predicts total EZ capital costs of £990m and a further £34m interest costs to be capitalised. This represents a total funding requirement of £1,024m until 2045/46 when all borrowing must be repaid. At that point, the business rates uplift reverts to the host authority. The latest forecast for revenue costs over the programme period of £81m. This is correct at the time of writing the MoU (July 2022).

Project Affordability

- 5.5 The EZ financial model is used at both Strategy Outline Business Case and Outline Business Case, in accordance with the approved financial principles, to assess the affordability of each capital project prior to formal approval and any investment decision. This will include access to the EZ programme and inclusion in any future EZ Investment Plan Programme Pipeline.
- 5.6 There are situations which can impact on the Business Rates Income uplift which are outside the control of BCC, for example lettings rates or ratings valuations, private sector investments and demolitions. These potential impacts are, where possible, evaluated through the use of scenario analysis and by reference to independent advisors, which can then impact on the level of prudence adopted and the level of contingency recognised in evaluations.

6.0 Governance Arrangements

- 6.1 Governance arrangements are contained in the current EZIP (May 2019) and these arrangements are detailed below. It is important, given the constitutional change of GBSLEP in 2019 to a separate limited company, that such arrangements are appropriate and effective given the new independent structure.

An Overview of Existing Arrangements

- 6.2 Over the period of the EZ programme, governance arrangements have developed iteratively and been slightly amended and approved on the production of a new Enterprise Zone Implementation Plan (EZIP) approximately every two years.
- 6.3 The current arrangements (as shown in Diagram 1.0 below and taken directly from the current EZIP 2019) illustrates how the EZ projects (including Curzon, Paradise Circus and all other EZ Projects) report to both GBSLEP and Birmingham City Council.

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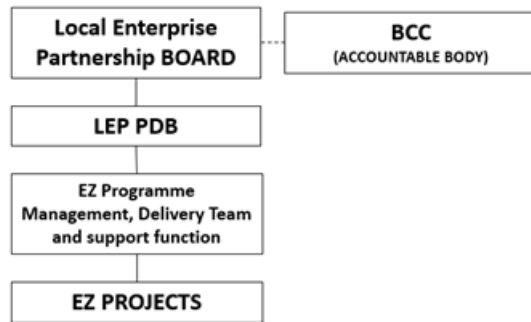


Diagram 1.0 EZ Governance Arrangements (As illustrated in the EZIP 2019)

6.4 Diagram 2.0 below seeks to illustrate the roles and responsibilities as presented in the EZIP 2019 and relate to both GBSLEP and BCC.

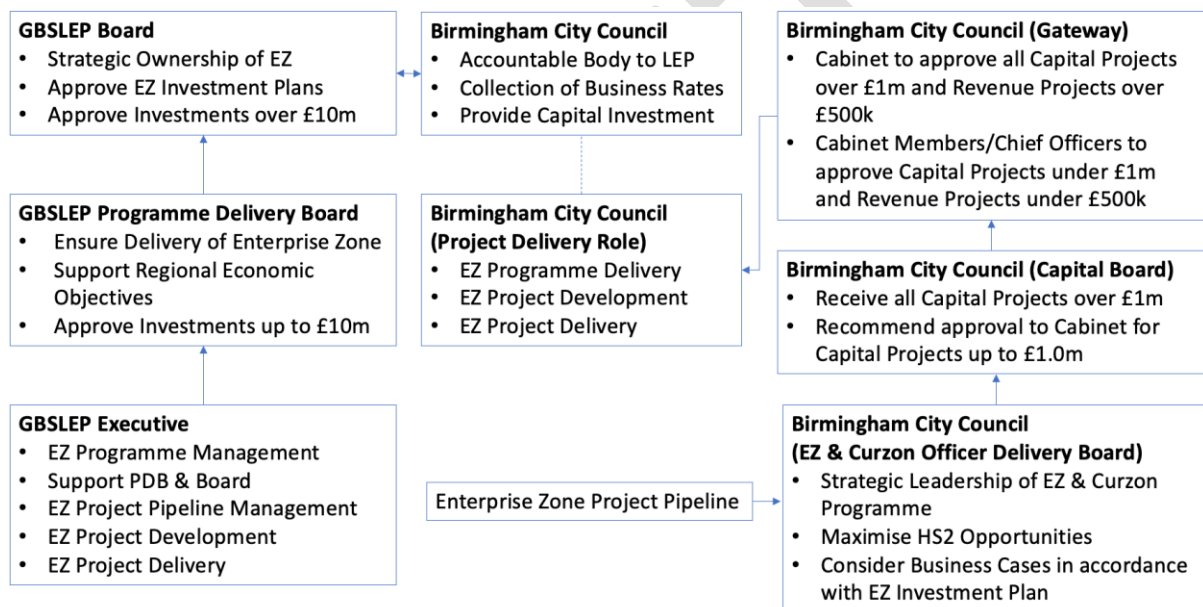


Diagram 2.0 EZIP 2019 EZ Roles and Responsibilities (Translated from EZIP 2019)

7.0 Legal agreements

7.1 The EZ was established by legislation in 2011 and the provision for borrowing and investment was captured in the BCC capital strategy and budget of that year. Each of the individual projects are governed by legal agreements (Service Level Agreements) with the exception of larger and possibly more complex projects which may have project specific delivery mechanisms in place to support delivery.

7.2 This MoU will provide the framework for all project agreements and will be referenced in each individual project agreement, or included as an addendum, to ensure consistency of delivery across all projects.

8.0 Dispute Resolution

8.1 In the event that disagreement arises, which could not be resolved by the lead persons named above, the matter would be escalated to the senior management (Chief

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Executive Officer BCC and Chief Executive GBSLEP) in both organisation's for a solution, acceptable to both, to be found and agreed. Should resolution not be achieved by senior management, escalation to the GBSLEP Board Chair and Leader of BCC will be required.

9.0 Monitoring and Evaluation

- 9.1 The EZ financial model is constantly under review as a shared responsibility between BCC and GBSLEP; BCC has the routine responsibility for the financial information imported into the model which is then reported on an agreed schedule to GBSLEP.
- 9.2 GBSLEP will provide a monitoring report to Programme Delivery Board as a standard item and to the GBSLEP Board within the same timescales. BCC monitors the EZ programme and reports to the Capital Board on a regular basis and reports to BCC Cabinet as an exception. Additional reporting will be subject to new investment decisions or issues being escalated as appropriate.
- 9.3 The EZ financial model and the financial principles underpinning the model are reviewed on a regular basis to identify early any potential risks associated with the Business Rates Income and the impact on Prudential Borrowing payments; and
- 9.4 GBSLEP requires quarterly Project Management Reports to be completed by all project sponsors. This is reduced to annual monitoring once the project is Practically Completed and to record agreed outcomes. The information on finances and outputs is assessed against the forecasts and variations are explained. This information then forms the basis of any payment from the EZ financial model to the Project Sponsor.
- 9.5 All EZ project and programme information is processed and reported on a six-monthly basis to BEIS.

10.0 Approval

- 10.1 This MoU represents the full agreement between the parties but may be amended if agreed by both parties.

Signatories to the Agreement:

Name	Position	Signature	Date

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Appendix A

Background Enterprise Zones

Aims and objectives of the Enterprise Zone

The Enterprise Zone was established in 2011 as a City Centre Enterprise Zone and now covers 113 ha across 39 sites. The EZIP 2019 consolidated the two existing investment plans: City Centre EZIP 2014 and the Curzon Investment Plan 2016 with a strategy to deliver a phased programme of £1.2bn value of projects by 2046. Birmingham Enterprise Zone is the largest City Centre Enterprise Zone in the UK.

The EZ was established to accelerate economic growth by unlocking development sites and attracting private sector investment. Through investment in infrastructure, the EZ is and will continue to address constraints to delivery.

A review of the EZIP 2019 has taken place considering both progress to date and the impact and economic changes that have taken place over the last few years. To maximise the benefits from the Enterprise Zone investment, maintaining a balance between investment, borrowing and accelerating business rates growth through the pipeline of projects will be key to ensuring that the £2 billion business rates income opportunity is realised, and the city centre fully benefits. The update report provides a summary of this work and associated financial implications, including projects which may progress for delivery and require financing through prudential borrowing.



This strategy for investment in the EZ is structured into three areas:

1 Strategic Site Investment

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Stimulating new development and supporting the viability of sites to make them deliverable and commercially attractive will be important to ensuring the EZ can deliver jobs and growth for the future. This ranges from Grade A office space in prime locations, focused on the corporate sector, to affordable flexible space for newly established creative/digital companies. In turn this will drive the creation of business rates enabling the GBSLEP to invest in infrastructure in the EZ and beyond.

The EZ supports the provision of appropriate space for new and existing commercial businesses alongside new residential and community facilities.

Benefits

Supporting new development brings important social and economic benefits to Birmingham and the wider GBSLEP region:

- Additional commercial floorspace to meet future occupier demand;
- Increased job opportunities;
- Space for new and existing businesses to grow and remain competitive; and
- Uplift in business rates to enable the delivery of current and future EZ investments.

Interventions

Across the EZ there are key strategic sites to accommodate new growth identified in the EZ Investment Plan 2019. The EZ will support a range of investments and actions including:

- Enabling works to address constraints such as contamination, demolition, security and land assembly;
- Provide on-site public infrastructure to support connectivity and accessibility; and
- BCC will also commit to ensuring an efficient planning service including simplified planning and the use of tools such as Compulsory Purchase Orders where appropriate to enable delivery.

2 Infrastructure

Infrastructure is vital to unlocking sites and connecting businesses to wider markets and enabling access for people. The EZ can unlock growth and attract investment in the city centre through investing in infrastructure. Good connectivity for the efficient movement of people and goods, combined with the quality and safety of the pedestrian environment, supports labour market retention and investor confidence. Social infrastructure is also important to support new neighbourhoods and grow residential populations, attracting and retaining workers.

Benefits

Providing high quality infrastructure brings benefits including:

- Improving access and movement;
- Unlocking sites for development;
- Supporting the retention and growth of businesses;
- Increased levels of open space and new social and community facilities;
- Health and environmental benefits including improved air quality;
- Less congestion and increased levels of walking and cycling;
- Enhancing the quality of the environment.

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Interventions

Investment will be focussed on:

- New transport schemes such as Metro, Sprint, rail and cycling;
- New education, community and health facilities;
- New and faster digital technologies to improve communications; and
- Improving the public realm to provide safe and attractive routes for walking and cycling and enhanced public spaces.

3 Business Support

The EZ will be the focus for significant business investment and activity over the coming decades. Central to the success will be the ability to retain and attract businesses, encourage investment and to position the EZ as a premier business location. The EZ will constantly review and consider how it will provide support to businesses looking to invest and grow.

Benefits

Supporting businesses is essential for maximising the benefits of the EZ and for building on the investment made to deliver sites and infrastructure, especially:

- Improving the competitiveness of businesses;
- Attracting new business with growth in priority sectors;
- Targeting overseas markets;
- Creating new jobs and commercial floorspace and an uplift in business rates;
- Encouraging new business start-ups, scale-ups and social enterprises;
- Improved workforce skills and increased productivity.

Interventions

Investment will be targeted to underpin the BCC Our Future City Plan and any relevant/current GBSLEP economic related strategies including:

- Support package to attract and grow businesses in target sectors;
- Financial assistance for local start-up and scale-up businesses and social enterprises;
- Support for the relocation of businesses to maximise development opportunities in the Curzon area;
- Workforce training and upskilling;
- Programme of global events to target investment and markets and innovative promotional activities.

4 EZ Programme Project Pipeline

GBSLEP and BCC will jointly manage the programme project pipeline process, including all projects in the current pipeline and the stage in the pipeline of each project. The EZ Project Pipeline is organised in four categories, each of which is based on the level of approval or status with GBSLEP. Each category is further segregated into either revenue or capital projects for ease of financially considering affordability.

The four categories are as follows:

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- I. New - Newly identified EZ projects;
- II. EZIP19 - EZ Investment Plan 2019 projects not yet committed/approved;
- III. Financially Committed - Committed projects and/or approved projects; and
- IV. Delivery/Completed - EZIP19 Completed projects and/or projects in delivery.

Projects progress through an approved process before being awarded EZ funding. This process includes Birmingham City Council and is fully aligned to the GBSLEP Assurance Framework.



All projects seeking EZ funding are initially considered based on the potential economic impact on the EZ programme and/or the city and region, such as direct or indirect business rates income growth or growth in terms of GVA or skills/job creation.

The four economic impact appraisal criteria are shown below:

- I. The project generates Direct Business Rates Income Growth and is a project in one of the 39 EZ sites. Additionally, the classification allows business rates income growth to be retained;
- II. The project should generate Indirect Business Rates Income Growth and will likely contribute to, or directly support, business rates income growth in the EZ sites;
- III. The project will likely create high economic impact and whilst not in one of the 39 EZ sites it could be transformational, generate significant GVA or create jobs; and
- IV. The project has only minimal, or low, overall impact on the city and is not in the 39 EZ sites, it will unlikely generate significant GVA or support job creation.

The total expenditure of the existing capital pipeline of projects is reviewed regularly in accordance with financial model updated to consider the potential impact of all the projects on the pipeline. Whilst considering all new projects is an unrealistic scenario to consider in terms of affordability, it gives opportunity to consider how the existing committed projects can be supplemented should GBSLEP and BCC want to proceed and if, more critically, the EZ programme is able to afford them.

Timescales

The EZ was established in 2011 and extended in 2016; termination is set at 2045-46.

END