

Birmingham City Council

Report to Cabinet



17 March 2020

Subject: Southside Public Realm Improvement Scheme Outline Business Case (OBC)

Report of: Interim Director, Inclusive Growth

Relevant Cabinet Member: Councillor Ian Ward – Leader
Councillor Waseem Zaffar – Transport and Environment
Councillor Tristan Chatfield – Finance and Resources

Relevant O &S Chair(s): Councillor Liz Clements – Sustainability and Transport
Councillor Sir Albert Bore – Resources

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|---|---|--|
| Are specific wards affected? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No – All wards affected |
| If yes, name(s) of ward(s): Ladywood, Bordesley and Highgate | | |
| Is this a key decision? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| If relevant, add Forward Plan Reference: 007225/2020 | | |
| 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 The report is seeking approval to the Outline Business Case (OBC) for the Southside Public Realm Improvement Scheme at an estimated capital cost of £8.177m as part of proposals set out in the Council's Big City Plan and inclusion within the Enterprise Zone Connecting Opportunities Programme (EZCOP). The report also seeks approval to progress the scheme to Full Business Case (FBC) and to submit the FBC to the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) to secure the required Enterprise Zone (EZ) funding. This is to be funded via City Council prudential borrowing in accordance with the EZ Investment Plan.

- 1.2 Southside district situated in the heart of Chinatown attracts visitors and tourists to the city centre and is one of the most diverse and creative areas of Birmingham. It lies within the boundary of the City Centre EZ. The scheme will transform the pedestrianised area outside the Hippodrome Theatre on Hurst Street into a high quality, lively public space suitable for everyday use and special events. The square will create a new heart for Chinatown and will provide an enhanced setting for the Hippodrome and Back to Back Houses plus a gateway to the Gay Village. It will also transform pedestrian and cycling links between New Street Station and Birmingham Smithfield development. The key objectives of this scheme, in line with the Big City Plan and the EZ objectives are to support the city's growth in terms of improving connectivity in the city centre and improve the public realm within Southside creating a unique and cultural heart to encourage further private sector investment and increase the number of visitors to this part of the city.

2 Recommendations

- 2.1 Approves the OBC for Southside Public Realm Improvement Scheme as set out in Appendix A and as shown on the scheme plan in Appendix B, at an estimated capital cost of £8.177m and authorises the progression of the scheme to FBC (indicative development cost of £0.692m funded through EZ).
- 2.2 Authorises the acceptance of £0.692m EZ funding from the GBSLEP to develop the scheme to FBC.
- 2.3 Approves submission of an FBC to the GBSLEP to request EZ funding for the delivery of the Southside Public Realm Improvement Scheme, (expected July 2020), noting that this will be subject to confirmation of the City Council's Section 151 Officer support (in line with the LEP Assurance Framework) and the final scheme being in line with the preferred option detailed within this OBC.
- 2.4 Delegates approval of the City Council's FBC for the Southside Public Realm Improvement Scheme, to a report of Interim Director, Inclusive Growth and Interim Chief Finance Officer to the Cabinet Member for Transport and Environment, subject to the final scheme being in line with the preferred option detailed within this OBC, the costs being within the approved budget and all funding secured.
- 2.5 Delegates to the Assistant Director of Transport and Connectivity acceptance of tenders, award of the highway construction works contract and placing of orders with contractors, using the City Council's Highways and Infrastructure Works Framework Agreement, subject to the works cost being within budget and approval of the City Council's FBC.
- 2.6 Delegates to the Assistant Director of Transport and Connectivity the placing of orders with statutory undertakers to move apparatus subject to the works cost being within budget and approval of the City Council's FBC.

- 2.7 Authorises the Acting City Solicitor (or their delegate) to complete all relevant documents necessary to give effect to the above recommended decisions.

3 Background

- 3.1 The strategy for the EZ and its associated Investment Plans were first established in the Big City Plan, adopted by the City Council in 2011. The Big City Plan sets out a strategic framework for the growth of the city centre which is underpinned by a series of development principles. One of these principles includes connectivity and improving the walkability of the city centre with a network of streets and spaces that, through public realm improvements, will contribute to the creation of a high-quality environment attracting investors, visitors, businesses and residents to the city centre. High quality connections and public realm have been recognised as important factors in contributing to the economic performance and success of an area and maintaining a competitive edge that is fundamental to the ability to compete against other major cities for private sector investment.
- 3.2 In September 2015, as part of Phase 1 scheme City Centre Traffic Management Plan to reduce pressure on Hill Street, a temporary Traffic Regulation Order (TRO) was approved by the Highways Authority to close off the junction between Hurst Street and Smallbrook Queensway.
- 3.3 Phase 2 scheme completed in December 2017 delivered the permanent TRO to allow prohibition of through traffic from Ladywell Walk to Smallbrook Queensway to allow for a future public realm improvement scheme while still maintaining full access to car parks in the area and providing areas for loading and taxis.
- 3.4 This OBC covers the final phase of the scheme to transform the pedestrianised area outside the Hippodrome into a high quality, lively public space suitable for everyday use and special events. The square will create a new heart for Chinatown and will provide an enhanced setting for the Hippodrome and Back to Back Houses plus a gateway to the Gay Village. It will also transform pedestrian and cycling links between New Street Station and Birmingham Smithfield development. We expect that these improvements will add value and appeal to the area, attracting more visitors to this part of the city.
- 3.5 In December 2019 the GBSLEP approved the OBC for the Southside Public Realm Improvement Scheme for a provisional allocation of EZ funding for the scheme with additional funding to develop the scheme to FBC.

4 Options Considered and Recommended Proposal

- 4.1 Options were considered for Smallbrook Queensway, Hill Street, Ladywell Walk, Hurst Street and Hippodrome Square as part of an EZ Options Assessment, full details are given in the OBC in Appendix A.

5 Consultation

- 5.1 The scheme proposals have been developed jointly with Southside Business Improvement District (BID), Hippodrome Theatre and the Chinese Community Association who are supportive of the proposals.
- 5.2 The Ward Councillors for Ladywood and Bordesley & Highgate have been consulted on the proposals and they are supportive as set out in the Ward Member Consultation at Appendix H. Dialogue will continue with the Ward Councillors on the scheme development and reported in the FBC.
- 5.3 A full public consultation on the scheme proposals was carried out between 17 June 2019 and 19 July 2019 and 95 responses were received via BeHeard and an additional 5 from key stakeholders and businesses/organisations.
- 5.4 Analysis of the consultation responses identified key themes from local individuals including:
- 82% of respondents supported the proposals to improve the public realm in Southside; and
 - 83% of respondents felt the scheme would have a positive impact on businesses in the area
- 5.5 Full details, analysis and the project team response to the consultation including any design changes will be reported in the forthcoming City Council's FBC for the scheme expected in May 2020.

6 Risk Management

- 6.1 Key risks and mitigations are outlined below:

| Risk or Issue | Mitigation |
|--|---|
| Failure to secure full funding to deliver entirety of anticipated scheme | Working with Partners to ensure all available funding streams are unlocked. GBSLEP agreed the OBC for the EZ funding. Delivery of the scheme is subject to an FBC. |
| Programme over runs so not complete ahead of Commonwealth Games (CWG) | Programme design will include contingency but also allow for works to be halted at suitable points until after the CWG if delays mean that over run is likely. Works to be phased pre and post games. |
| Lack of contractor availability | Early engagement with framework contractors. Early design to support risk management for contractor and the City Council. |

Please refer to risk register in Appendix C for further information.

7 Compliance Issues:

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

- 7.1.1 The Southside Public Realm Improvement Scheme supports the outcomes set out in the Council Plan 2018-2022, updated in 2019. The project also aligns with the Big City Plan adopted by the City Council in 2011, Birmingham Development Plan and Birmingham Connected.
- 7.1.2 Climate Emergency Motion (2019). The City Council is committed to taking further steps to tackle climate change following its decision to pass the motion on a Climate Emergency at a meeting of the City Council on 11th June 2019. Reflecting the Motion, Cabinet on the 25th June 2019 agreed to add a sixth outcome to the Council Plan focussing on tackling climate change. The scheme is aimed at helping to reduce the impact and minimise the contribution of the city's transport to climate change.
- 7.1.3 Birmingham Clean Air Strategy (2019 emerging). The scheme will work in conjunction with the class D Clean Air Zone (CAZ) being implemented within the A4540 Middleway. It will:
- contribute towards a reduction in car usage – reducing emissions and improve health;
 - improve the wider transport network whilst increasing the range of cleaner, sustainable and active travel modes; and
 - invest in the public transport network to encourage more people to shift from private vehicles.
- 7.1.4 The scheme will support the City Council's actions to improve air quality through enhancing the pedestrian environment and making the area more desirable for cycling and walking. Air Quality Assessment has been undertaken and attached in Appendix D. The assessment indicates a very low risk of significant changes to the exposure of people to air pollutants occurring as a result of the Southside Public Realm improvements, no changes to the design of the development are considered necessary on air quality grounds. The recommendation from the specialist decision is not to undertake post completion monitoring of the air quality within this study area, as it would not add any information of value with respect to air quality.
- 7.1.5 Birmingham Business Charter for Social Responsibility (BBC4SR)
- Compliance with the BBC4SR is a mandatory requirement that will form part of the conditions for the construction contract. The contractors undertaking this project work using the Council's Highways and Infrastructure Framework Agreement are certified signatories to the BBC4SR and will provide additional actions proportionate to the value of each contract awarded. These

additional actions will be identified by the project team and will include employment opportunities and will be monitored and managed during the contract period.

7.2 Legal Implications

- 7.2.1 The City Council in carrying out transportation, highway and infrastructure related work will do so under the relevant primary legislation comprising the Town and Country Planning Act 1990; Highways Act 1980; Road Traffic Act 1974; Road Traffic Regulation Act 1984; Traffic Management Act 2004; Traffic Act 2000 and other related regulations, instructions, directives, and general guidance.
- 7.2.2 Under Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report, which are within the remit and limits of the general power of competence Sections 2 and 4 of the Localism Act 2011.
- 7.2.3 Section 111 of the Local Government Act 1972 empowers local authorities to do anything (whether or not involving the borrowing, expenditure or lending of money or the acquisition or disposal of any of its property) which, is calculated to, or is conducive or incidental to the discharge of any of their functions.

7.3 Financial Implications

Capital

- 7.3.1 The estimated capital cost of the scheme is £8.177m (including contingency) which is to be funded from EZ funding £7.268m (of which £0.692m is already secured), Section 106 monies £0.459m and third-party partners £0.450m.
- 7.3.2 On 11th December 2019 GBSLEP approved the OBC for EZ funding provisional allocation of £7.268m for Southside Public Realm Improvement Scheme and approval to £0.692m to develop the scheme subject to the submission of a GBSLEP FBC. See Appendix F for GBSLEP EZ funding confirmation letter.
- 7.3.3 Within the Enterprise Zone (EZ) all business rates are collected by the City Council with any net uplift in the business rates collected within the Zone allocated to the GBSLEP for a period to 31 March 2046. It is the GBSLEP Executive who reviews how and where these funds are deployed and make recommendations on investment decisions over the resource in line with the investment plans for the EZ, subject to the City Council in its Accountable Body role for the EZ ensuring compliance with its own governance principles.
- 7.3.4 In its Accountable Body role, the City Council will undertake prudential borrowing to support delivery of the Southside Public

Realm Improvement Scheme generated through the uplift in business rates within the EZ. There are financial risks associated with the Accountable Body role, the main one being failure of the EZ to deliver sufficient business rates uplift to cover the level of borrowing and up-front revenue expenditure incurred by the City Council. These risks have and will continue to be managed primarily through detailed financial modelling and by receiving, for independent examination/approval, detailed individual Business Cases for project expenditure.

- 7.3.5 The current EZ financial modelling includes this scheme and shows the cost is considered affordable based on the expected and additional income levels that the EZ will generate.
- 7.3.6 The availability and eligibility of the use of the s106 contributions has been confirmed with the Planning Contributions Team.
- 7.3.7 Third Party funding contributions totalling £0.350m have been secured to date (see Appendix G for confirmation letter), and the remaining funding will have to be confirmed within the City Council FBC in line with the Council's Gateway and related Financial Approval Framework.

Revenue

- 7.3.8 This project will both remove and create assets that will form part of the highway upon completion of the project; as such they will be maintained within the overall highway maintenance PFI programme. The estimated additional cost of highway maintenance is £0.021m per annum including a contingency provision (50%). Estimated costs are based on the split between standard assets, enhanced assets, trees and bespoke assets. Any variations are expected to be contained within the contingency provision. The revenue implications and funding source will be finalised as part of the development of the FBC and will continue to be reviewed through the detail design and construction phase. The detail design will be developed with a view to minimising the future maintenance liability to the City Council. Should the revenue implications exceed this sum, additional funding will need to be identified and approval sought through the City Council FBC in line with the Council's Gateway and related Financial Approval Framework.
- 7.3.9 Further details on the capital and revenue implications of the proposed scheme are provided within Appendix A, section E.

7.4 Procurement Implications

- 7.4.1 In the Planned Procurement Activities report to Cabinet dated 11th February 2020, approval was given to commence the procurement for the Southside Public Realm improvement scheme works using the Council's Highways Infrastructure Works Framework Agreement. The form of contract will be the New Engineering Contract (NEC) 3 Option C published by the Institution of Civil Engineers. Option C is a cost reimbursable contract, subject to a pain/gain share mechanism – with an agreed target cost built up from an activity schedule. This option provides incentives to the contractor to ensure efficient delivery, by allowing them to share in the benefits of any scheme cost savings, but also to bear a share of the additional cost if there are any overruns.
- 7.4.2 The procurement strategy for HVM bollards in the city centre is being considered as part of City Centre Public Realm Project and details will be included in the FBC.
- 7.4.3 The procurement exercise to award contracts for supervisory and contract administration for the scheme will be undertaken in accordance with the City Council's Standing Orders and Procurement Governance Arrangements.

7.5 Human Resources Implications

- 7.5.1 The management and delivery of the Southside Public Realm works will be led by officers within Transport and Connectivity supported by external consultants for professional services.

7.6 Public Sector Equality Duty

- 7.6.1 An initial screening for an Equality Analysis (EQUA466) has been carried out and is attached as Appendix E. This found that this report does not have any adverse impact on the protected groups and characteristics under the Equality Act 2010 and there is no requirement for a full assessment. A full screening will be carried out during the development of the FBC.

8 Appendices

8.1 List of Appendices accompanying this report:

- Appendix A – Outline Business Case
- Appendix B – Scheme Plan
- Appendix C – Risk Register
- Appendix D – Air Quality Assessment
- Appendix E – Equality Analysis
- Appendix F – GBSLEP EZ Funding Letter

Appendix G – Third Party Funding Letters (received to date)

Appendix H - Ward Member Consultation

9 Background Documents

- 9.1 Southside Phase 2 Project Definition Document dated 5th January 2017
- 9.2 Southside Phase 2 Full Business Case dated 20th July 2017
- 9.3 Planned Procurement Activities report to Cabinet dated 11th February 2020
- 9.4 Southside Public Realm GBSLEP EZ Outline Business Case – December 2019
- 9.5 Big City Plan in 2011
- 9.6 Enterprise Zone Investment Plan dated May 2019