

# Birmingham City Council

## Report to Cabinet

29<sup>th</sup> June 2021



---

**Subject:** Programme Team for the Enterprise Zone Programme

**Report of:** Ian MacLeod - Acting Director Inclusive Growth

**Relevant Cabinet Member(s):** Councillor Ian Ward, Leader  
Councillor Tristan Chatfield, Finance and Resources

**Relevant O & S Chair(s):** Councillor Mohammad Aikhlaq, Resources

**Report author:** James Betjemann – Head of Curzon and Enterprise Zone Development, Planning and Development  
Tel: 0121 303 4174  
Email: [james.betjemann@birmingham.gov.uk](mailto:james.betjemann@birmingham.gov.uk)

|  |   |  |
|--|---|--|
| Are specific wards affected?   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No – All wards affected |
| If yes, name(s) of ward(s): Bordesley & Highgate, Ladywood, Soho & Jewellery Quarter and Nechells. |   |  |
| Is this a key decision?  | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No                      |
| If relevant, add Forward Plan Reference: 008548/2021   |   |  |
| 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           |

### 1 Executive Summary

- 1.1 The purpose of this report is to seek approval to enter into funding agreements/Service Level Agreements with the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) to extend the delivery period for the Enterprise Zone Programme team to support delivery of the Enterprise Zone (EZ) and Curzon investment programme. The team form part of the Inclusive Growth Directorate and will continue to oversee, co-ordinate and deliver a range of projects to ensure resources are maximised and the benefits of the programme are realised.

- 1.2 To seek authority to accept an additional £165,945 of Enterprise Zone funding from the GBSLEP, increasing the previously approved budget by 2.5% from £6,453,518 to £6,619,463.
- 1.3 To seek authority to extend the programme team resources for an additional two years from 31 March 2022 to 31 March 2024.

## **2 Recommendations**

- 2.1 Approves, in its capacity as the Council and as Accountable Body for the GBSLEP Enterprise Zone, the increased allocation of £6,619,463, including the additional sum of £165,945.
- 2.2 Approves to extend the Enterprise Zone programme team staff for an additional two years to 31 March 2024.
- 2.3 Authorises the Acting Director Inclusive Growth to enter into a funding agreement to accept the total sum of funding of £6,619,463 from the Greater Birmingham and Solihull Local Enterprise Partnership Enterprise Zone Programme.
- 2.4 Authorises the City Solicitor to negotiate, execute and seal and complete all necessary agreements and documentation to give effect to the above recommendations.

## **3 Background**

- 3.1 Birmingham and the wider region are undergoing an unprecedented level of development which is bringing long term economic benefits to the area. A key focus for this growth is in the City Centre, driven by the existence of the Enterprise Zone (EZ), which commenced in 2011. The notice to proceed from Government in 2020 to deliver HS2 has generated a greater focus on the programme as a catalyst for growth in the City and wider region. Allied to this, plans for the extension of the Midland Metro to Digbeth, and potentially through East Birmingham and North Solihull to connect with the HS2 Interchange, Airport and NEC, will provide further regeneration opportunities for the City.
- 3.2 This level of activity represents one of the largest infrastructure investment programmes in the country. To effectively manage the programmes and support delivery of EZ Investment Plans activity and existing commitments, the team resource needs to be assured to meet the demands of delivery and providing effective programme and performance management.

## **The Enterprise Zone and Curzon Programme**

- 3.3 The EZ and Curzon Programme investment plan identifies a circa £1bn programme of infrastructure investment that covers 113ha of land, over 39 designated sites with significant growth potential to deliver 71,000 jobs; 1.1m sqm of new commercial floorspace; contributing £2.3bn per year to the economy; and has the potential to generate in excess of £2bn per year in additional business rates to be reinvested across the area.

- 3.4 On 14 November 2017 Cabinet approved £6,453,518 for the management and delivery of the programme to 31 March 2022. To extend the team for an additional two years to 31 March 2024 would provide the programme with continuity and in doing so negate the risk of losing experienced staff with the knowledge and skills required to develop and deliver the projects.
- 3.5 The team will continue to focus on programme management, including governance, reporting and monitoring for the Enterprise Zone Investment Plan, and in addition will develop and deliver key infrastructure projects alongside enabling and developing strategic sites.
- 3.6 Inclusive Growth Directorate resources will continue to be utilised to provide senior leadership and also project level capacity fully complemented by the EZ Programme Team and associated technical expertise.
- 3.7 The arrival of HS2 in 2029 represents a once in a generation opportunity to drive economic growth and prosperity for the City and region. Delivering infrastructure on this scale requires an appropriate level of resource to address a range of functions, including regulatory capacity through the Local Planning and Highway Authority functions, such as assessing and approving proposals for traffic management and the approval of temporary and permanent Works. Other requirements include urban design and project management to ensure delivering HS2 minimises disruption to residents and business and maximises the economic benefits for Birmingham.
- 3.8 In delivering the programme of works in-line with the 2019 EZ Investment Plan, approved by Cabinet on 30 July 2019 the Programme Team is currently supporting the delivery of a number of projects;
- Birmingham Smithfield Development Project is developing a Delivery Strategy and Full Business Case to bring forward the development of the area in accordance with the Birmingham Smithfield Masterplan that will radically transform the city's visitor economy creating a major cultural and leisure destination with a dynamic mix of uses that will include vibrant markets and leisure and cultural facilities, a major public square, and an exemplar residential neighbourhood. On 15 December 2020 Cabinet approved the appointment of Lendlease Smithfield Development LLP as development partner for Birmingham Smithfield.
  - The Paradise scheme is an office-led mixed-use development on a 7 ha site located in the centre of Birmingham. In total, across three phases the project will deliver: 140,000sqm of new Grade A commercial floorspace across nine buildings; 300 private rented sector (PRS) residential units; two new car parks with 550 spaces; a new 4\* hotel with 250 rooms including a Sky Bar; and public realm squares including two new and one redeveloped.

- The Snow Hill Public Realm scheme will introduce high quality public realm improvements and highway interventions to local streets and spaces in the Colmore Business District supported with EZ funding of £2.9m.
- HS2 Curzon Station Metro Stop project is receiving £9m of funding to incorporate the Birmingham Eastside Metro Extension within the new station.
- The Grade 1 listed Old Curzon Station building is being refurbished by HS2 Ltd with £2m of EZ funding alongside £3.6m of their own funding to bring this important asset back into use as offices and exhibition space.
- The Digbeth High Street Public Realm scheme will receive £15.7m of EZ funding to transform this six-lane arterial route into a public transport corridor with high quality amenity space for pedestrians and residents.
- The HS2 Curzon Station Public Realm project will enhance the environment surrounding the new station by creating extensive green space and greatly improved connectivity for cyclists and pedestrians. This will ensure Digbeth is fully integrated with the station and wider city centre.
- The Southside Public Realm project will provide a safe and attractive route for cyclists and pedestrians heading from New Street Station to the Southside Quarter and the proposed Birmingham Smithfield developments. The scheme will upgrade pedestrian and cycle links, connecting surrounding Enterprise Zone sites via high quality, well lit, public realm style routes. A new public square will also be created adjacent to the Birmingham Hippodrome to be used as a new event space.
- The Belmont Works scheme by Birmingham City University is securing EZ Investment of £2.4m to create a collaborative innovation centre focused around STEAM disciplines (science, technology, engineering, arts and maths).
- The Moor Street Queensway Public Realm development project is part of a package of transformative investment in Birmingham City Centre, significantly improving accessibility and connectivity between Eastside, Digbeth and the traditional city centre core. World class public realm enhancements will fundamentally change the character of Moor Street Queensway, creating a major new 'gateway' space for visitors arriving into Birmingham's Curzon HS2 station; maximising the potential of HS2, helping to attract further investment and unlocking major regeneration sites.

3.9 The delivery period extension to 2024 will ensure the Council can continue to meet the challenges of delivering the Enterprise Zone Investment Plan by ensuring the relevant technical expertise across programme management, planning, property, and transport/highway infrastructure for the Enterprise Zone and Curzon programmes will be integrated within the existing service areas of the Inclusive

#### 4 Options Considered and Recommended Proposal

- 4.1 An alternative option would be to submit a new application as the previously approved funding ends on the 31 March 2022. The risk in doing so, could result in the loss of experienced staff with the programme knowledge and skills required to deliver the plan.
- 4.2 The programme is at a critical point in its delivery. This report seeks approval to reprofile remaining approved funds to support the team for a further two years.
- 4.3 Approval would provide assurance and continuity in managing the programme and mitigate the risk of losing experience and skills necessary to deliver the EZ Investment Plan 2019.

#### 5 Consultation

- 5.1 On the 24 November 2020 the GBSLEP Programme Delivery Board supported an application to increase the previously approved budget by £165,945 from £6,453,518 to £6,619,463, and the extension to the delivery period for the programme team from 31 March 2022 to 31 March 2024. See the Funding offer letter attached as Appendix A.

#### 6 Risk Management

- 6.1 The risks and mitigations are set out in Table 1 below.

**Table 1: Risks & Mitigations**

| <b>Risk</b>   | <b>Mitigation</b>  |
|---|--|
| Development fails to materialise in accordance with the projections | Investment Plans will be refreshed every two years and categorise the business rates growth. A more rigorous management approach has been implemented to align investment decisions with revenue projects. The Investment programme financial profile reflects the security of revenue income. |
| Impact of Covid-19 on the take-up of office space                   | Birmingham City Centre Enterprise Zone review has been commissioned on the impact of COVID-19 on the office market. The report will summarise new scenarios which will be tested on the EZ financial model to reflect the COVID-19 impact.   |
| Business rate collection fall below forecast                        | Resources are devoted to maximising payments, managed through the financial  |

|  |   |
|--|---|
|  | reporting system and 15% contingency allowance. |
|--|---|

## 7 Compliance Issues:

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

7.1.1 The Enterprise Zone and Curzon Programme supports the Council's Vision and Forward Plan. The proposals set out in this report will support the City Council's key policies and priorities as set out in the **City Council Plan and Budget 2018 – 22** (as updated in 2021):

"Outcome 1 – Birmingham is an entrepreneurial city to learn, work and invest in.

- Priority 4: We will develop our transport infrastructure, keeping the city moving through walking, cycling and improved transport".

"Outcome 4: Birmingham is a great, clean and green city to live in.

- Priority 1: We will work with our residents and businesses to improve the cleanliness of our city.
- Priority 4: We will improve the environment and tackle air pollution.
- Priority 5: We will work with partners to ensure everyone feels safe in their daily lives".

"Outcome 5: Birmingham residents gain the maximum benefit from hosting the Commonwealth Games

- Priority 1: We will seek to maximise the opportunities for Birmingham businesses and the Birmingham economy as a result of the Commonwealth Games to stimulate economic and employment growth.
- Priority 2: We will encourage citizens of all abilities and ages to engage in physical activity and improve their health and wellbeing.

7.1.2 The priorities for the Enterprise Zone and Curzon programmes are set out in the Investment Plan approved by Cabinet in July 2019. The programmes are key to delivering the City Council's Birmingham Development Plan, Our Future City Plan, Curzon Masterplan and Smithfield Masterplan. The programmes also support delivery of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and West Midlands Combined Authority Strategic (WMCA) Economic Plans and the Midlands HS2 Growth Strategy, which is a priority for the GBSLEP and WMCA to maximise the economic impact of HS2 and the proposed East Birmingham to Solihull Metro Extension.

### 7.2 Legal Implications

7.2.1 The Local Government Finance Act 2012 supports the development of Enterprise Zones by enabling the City Council, on behalf of the LEP, to retain 100% of business rates income from within the Enterprise Zone.

- 7.2.2 Under the Local Government act 1972 the Council has a duty to appoint such officers as they think necessary for the proper discharge by them of their functions.
- 7.2.3 Under the Planning and Compulsory Purchase Act 2004 the Council must keep under review the matters which may be expected to affect the development of their area.

### **7.3 Financial Implications**

- 7.3.1 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 the 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 EZ Investment Plan, subject to the City Council in its Accountable Body role for the EZ ensuring compliance with its own governance principles.
- 7.3.2 In its Accountable Body role, the City Council employs the EZ Programme Team. The costs of all EZ projects including the Prudential borrowing charges arising from capital schemes will be fully financed by the revenue resources 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 or up-front revenue expenditure incurred by the City Council. As a result, the EZ Programme is subject to detailed financial monitoring both of its cost and resource base to ensure that the Programme is affordable.
- 7.3.3 In 2012 Birmingham City Council and the GBSLEP established a set of financial principles for the EZ. Accordingly, the City Council applies a safety margin whereby 15% of business rate income is held in reserve and not committed against investment proposals until there is greater certainty of future uplift in business rate income. Borrowing costs will also be kept within 65% of forecast income. The current financial modelling shows that the cost of the EZ Programme team is affordable based on the expected and additional income levels that the EZ will generate.
- 7.3.4 The overall cost for the programme team is £6,619,463. The EZ funding for the Programme Team will utilise existing allocations within the approved EZ Investment Plans. This is affordable within the context of the whole programme. The Accountable Body function would involve chargeable time against the budget to support those activities relevant and necessary to the management of the Enterprise Zone.
- 7.3.5 Where possible and in accordance with accounting practices, salary costs contained under the Project Development and Delivery function will be capitalised against future capital project costs where the cost can be deemed to have directly led to the creation of an asset. This practice for project management activity will be maximised over the period to reduce the short-term revenue pressure on the EZ programme.

7.3.6 The Programme team salaries are based on City Council Grades, including NI and Superannuation contributions. Following approval of this delivery team posts will be extended to 31 March 2024.

7.3.7 The Delivery resource will be reviewed prior to this GBSLEP EZ funding expiring on 31 March 2024, at which time a further assessment will be carried out to determine whether there is sufficient capacity planned against the pipeline of future projects and development activity. The EZ Investment Plan (2019) contains a ring-fenced budget for the Programme Management/Accountable Body costs embedding this within the financial model.

#### **7.4 Procurement Implications (if required)**

7.4.1 As a result of the recommendations of this report there are no procurement implications.

#### **7.5 Human Resources Implications (if required)**

7.5.1 The EZ Delivery Team posts will be extended for an additional two years to 31 March 2024.

#### **7.6 Public Sector Equality Duty**

7.6.1 In overall terms the Programme Team will lead to a positive effect on the equality considerations through the promotion of economic activity, job creation and improving skills that will benefit local people. The Programme team will advance equality of opportunity as a result of its promotion of development and regeneration activity. EZ impact and outputs will be monitored as part of the programme and individual projects are required to complete an Equality Analysis. Equality Assessment EQUA637 for the Enterprise Zone programme team - Appendix B.

### **8 Appendices**

8.1 Appendix A – GBSLEP EZ funding letter

8.2 Appendix B – Equality Analysis EQUA637

### **9 Background Documents**

9.1 Report to Cabinet 14<sup>th</sup> November 2017

9.2 Change request form approved by GBSLEP.

9.3 Enterprise Zone Investment Plan 2019.