

Birmingham City Council

Report to Cabinet

19 March 2024



Subject: Enterprise Zone Programme Management Levy
Report of: Strategic Director of Place, Prosperity and Sustainability
Relevant Cabinet Member: Councillor John Cotton, Leader of the Council
Relevant O &S Chair(s): Councillor Akhlaq Ahmed, Economy and Skills
Councillor Jack Deakin, Finance and Resources
Report author: Jane Smith, Enterprise Zone Programme Manager,
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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): 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: 011840/2023		
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, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 The purpose of the report is to seek authority for the extension to the Programme team resources, to support the delivery of the Enterprise Zone. The programme includes a number of key transformational projects.
- 1.2 To seek authority to extend the programme team resources for an additional four years from 1 April 2024 to 31 March 2028.

- 1.3 To seek authority to accept ringfenced Enterprise Zone funding of up to £5,744,123 to support delivery of the Enterprise Zone Investment Plan/s to cover Programme Management costs for a period of four years from 1 April 2024 to 31 March 2028.
- 1.4 To seek authority to accept the residual funds of GBSLEP Limited (Ltd) following their voluntary liquidation at 31 March 2024 and apply those resources in accordance with the terms of the payment, reflecting the original purpose of any accountable body funds and the direction of the GBSLEP Ltd Board.
- 1.5 To seek authority to extend the delivery period for the Enterprise Zone Programme team to support delivery of the Enterprise Zone (EZ). The team form part of the Place, Prosperity and Sustainability 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.

2 Recommendations

That Cabinet:

- 2.1 Approves, in its capacity as the Council and as Accountable Body for the Enterprise Zone, the provision of up to £5,744,123 funding from ring-fenced EZ Business Rates Uplift Income to wholly cover programme costs for the period from 1 April 2024 to 31 March 2028.
- 2.2 Approves the receipt of the GBSLEP Ltd residual funds, estimated to be £1.8m, at the point of that company's liquidation and that the management of these funds in accordance with conditions and guidance set by GBSLEP Ltd is subsumed into the existing accountable body role of the council for the Enterprise Zone and Legacy Funds.
- 2.3 Delegates authority to the Strategic Director of Place, Prosperity and Sustainability to take such actions as are necessary to ensure that the correct organisational structure and resources are in place to deliver the outcomes required within the timescales and budgets that have been set in compliance with the Council's policies and procedures.
- 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 West Midlands 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 operation of the Enterprise Zone (EZ), which commenced in 2011 and operates through the statutory ringfencing and retention of business rates growth for the period to 2046.
- 3.2 The programme management levy is a critical resource for the Council, funded wholly by EZ Programme ringfenced income, to ensure effective and efficient

management and monitoring of the EZ Programme both internally and externally. The cost of managing the programme is £5.7m, this represents 1.8% of the £318m forecast investment in the same four-year period. This funding supports the robust management of the programme and assists to mitigate risk to the Council in its Accountable Body role.

- 3.3 The budget requirement has been calculated to continue this support, taking account of the anticipated EZ project pipeline, for a further four years from 1 April 2024 to 31 March 2028. Costs include the recharging of EZ Programme staffing, Accountable Body costs, programme monitoring systems, legal and professional advice, Independent Technical Evaluations of Project Business Cases in line with Government’s Green Book guidance, EZ Health checks, Evaluations and Audits.
- 3.4 To effectively manage the programmes and support delivery of EZ Investment Plans activity and existing commitments, the team resource needs to be retained to meet the demands of delivery and provide effective programme and performance management.
- 3.5 At the inception of the Enterprise Zone Programme, prudentially borrowing to fund investment was limited due to the small number of buildings producing uplift in business rates income. The EZ programme is at an advantageous point with the model showing headroom to further invest in key developments in the City Centre on EZ sites.
- 3.6 This report seeks approval to accept Enterprise Zone funding to wholly cover the Programme Management costs for a further four years, ensuring that the resources are in place to effectively monitor and manage the EZ programme. This is funded by utilising an element of the uplift in business rates income ringfenced to the EZ to deliver its development plans.
- 3.7 Table 1 below provides data on the performance of economic benefits up to and including September 2023.

Table 1: Programme Achievements

Output	Achieved to 30 September 2023	EZ Investment Plan 2019 Lifetime to 2045/46 Targets	Percentage Achieved against Lifetime targets
Land Reclaimed and Made Ready for Development	29.7ha	60ha	49%
Land Developed	407,746 sq.m	1,100,000 sq.m	37%
Jobs Created	10,953	71,796	15%
EZ Investment	£232,784m	£1,092m	21%
Secured Business Rates Income to 31 March 2046	£700m	£2,192m	31%

Public Sector Investment in the EZ	£109m	£161m	67%
Private Sector Investment in the EZ	£1,032m	£3,905m	26%

- 3.8 The company, GBSLEP Ltd was required by Government to be established as a separate legal entity, it was incorporated as a Company Limited by Guarantee in 2011. Birmingham City Council (BCC) is one of the founding (and alongside Solihull Metropolitan Borough Council (SMBC), one of only two remaining) Members of the Company.
- 3.9 In 2022, the UK Government mandated the integration of Local Enterprise Partnerships into local democratically elected institutions, existing Combined Authorities or other institutions with devolved powers. The GBSLEP Board in September 2022 decided on the gradual and controlled tapering down of its operations towards full closure in March 2024. This process was captured in the GBSLEP Transition Plan submitted to Government by the West Midlands Combined Authority in February 2023.
- 3.10 As part of the process, several GBSLEP functions have transferred from GBSLEP to other institutions, including the WMCA, Birmingham City University and BCC. In BCC's case this has included the transfer of legacy programmes (including EZ and Local Growth Fund), as well as the Growth Hub delivery team. The remaining team members of GBSLEP are from the 1 January 2024 solely involved in closing down the LEP with no operational activity remaining.
- 3.11 The GBSLEP Executive Team has been working with the intended Liquidator to enter into a 'Members Voluntary Liquidation' (MVL) on or around 7 March 2024. The company will be solvent at its point of liquidation. Steps are in motion to ensure that all GBSLEP liabilities, including any tax and pension liabilities, are settled before March 2024.
- 3.12 The MVL follows a set process, in which BCC plays a key role in four capacities:
- as a Director on the GBSLEP Board, the Leader or his representative will be required to sign off the solvency statement for the company in January/February 2024 and resolve to initiate the liquidation process; and
 - as a Member of the Limited Company (alongside SMBC), BCC will be required to pass the resolution to put the company into liquidation on or around 7 March 2024
 - as GBSLEP's Accountable Body, and in accordance with guidance from the Government's Department for Levelling Up, Housing and Communities (DLUC), BCC is receiving and retaining the GBSLEP corporate Records (mainly in electronic form) in line with the agreed retention schedule.
 - as the recipient of GBSLEP's Residual Funds of circa £1.8m which will be required to be used to serve the same or substantially similar objects as those set out in the Objects of the Company in response to any successful applicants

for funding from time to time located in the GBSLEP Legacy Area (GBSLEP Legacy area comprises the nine Local Authority areas of: Birmingham, Bromsgrove, Cannock, East Staffordshire, Lichfield, Redditch, Solihull, Tamworth and Wyre Forest), as well as certain permissible use by BCC as set out in the Deed of Transfer and the Confirmation Deed of Transfer signed between BCC (Transferee) and GBSLEP (Transferor) on 30 June 2023 and 30 November 2023 respectively - these permissible uses include costs necessarily and properly incurred in managing the Residual Funds.

- 3.13 At its meeting of the 25 January, 2024, Cabinet Committee Group Company Governance noted that GBSLEP Ltd has entered into Members Voluntary Liquidation (MVL) to wind up by the 31 March 2024 and that a Cabinet decision will follow to accept and manage residual funds.

4 Options considered and Recommended Proposal

- 4.1 Option 1 (Do Nothing) – this option would place the Council at risk in its role as Accountable Body. Should the EZ Programme be closed, it would still require close management and monitoring of current funded projects and legal agreements, and an obligation to report quarterly to Cities and Local Growth Unit on the performance of the programme. To not accept the residual funds could mean a loss of funds for the region, an imperative to spend public funds in haste, or a transfer to another local authority with increased costs for set up of a management and administration team. Do nothing is not a viable option.
- 4.2 Option 2 (Do Less) – Should the programme revisit the EZ Investment Plan and reduce future investment in the City Centre, this would jeopardise the potential to achieve inclusive economic growth and regeneration across the city and the associated benefits of the scheme. In doing so it would void the opportunity to realise the uplift in business rates income which pays for this investment.
- 4.3 Option 3 (Outsource Services) – With the EZ Programme team having considerable knowledge of this £1bn investment programme, the EZ Financial Model and funded projects, to outsource the task of managing and monitoring the programme it would likely be more expensive and the knowledge and expertise of the team would be lost. For the reasons outlined and additional costs of an external organisation to invest in the knowledge and expertise that the programme team currently hold is not considered an option.
- 4.4 Option 4 (Preferred Option) - To continue to utilise the current EZ Programme team, retaining knowledge and experience. This team form part of the Place, Prosperity and Sustainability Directorate, and oversee the development and delivery of projects alongside supporting the Council's role as Accountable Body including, management of the programme's financial model, projects spends, uplift in business rates income and management of the residual funds of GBSLEP Ltd. In delivering the programme of works in-line with the current EZ Investment Plan, the team works

with project managers and sponsors to take the projects through the approval process and into delivery. The cost of managing the programme is £5.7m, this represents 1.8% of the £318m forecast investment in the same four-year period. Any additional costs arising from the management of the residual funds will be charged to the funds under the eligibility criteria set out by GBSLEP Ltd. This is the preferred option which would see the team resourced for a further four years to 31 March 2028.

5 Consultation

- 5.1 The Enterprise Zone Programme Board, including BCC Internal Board Members, reviewed and recommended the EZ Programme Management Levy request, at its meeting on 26 September 2023, for approval by the EZ Partnership Board and BCC Cabinet.
- 5.2 The Enterprise Zone Partnership Board, a cross-partner board with an independent chair, reviewed and approved EZ funding to cover the costs of the EZ Programme Management Levy for a further four years to 31st March 2028, at its meeting on 26 October 2023. Funding offer letter attached at Appendix B.
- 5.3 Cabinet Committee Group Company Governance noted the MVL of GBSLEP and the proposal for Cabinet to accept the residual funds of the company and subsume these into the existing accountable body arrangements.

6 Risk Management

- 6.1 The continuation of effective programme management arrangements is critical to the effective delivery of the EZ programme. The risks and mitigations associated with the overall programme are set out in Table 2 below. An extensive EZ Risk Register is attached - Appendix D.

Table 2: Risks and Mitigations

Risk	Mitigation
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.
Business rate collection fall below forecast	Resources are devoted to maximising payments, managed through the financial reporting system. Risk associated with managing the EZ resources have been identified and are modelled out through sensitivity testing including: 15% of business rates income is ring fenced on an annual basis for uncertainties with the release of contingency kept under review on an annual basis.
Short-term Treasury rates increase beyond	The City Council applies its treasury management rates to prudential borrowing including the latest projects for future years. On the basis of market knowledge/advice from the

those forecast by Treasury	money markets, these are adjusted as necessary to provide for the most realistic borrowing rates.
Lack of Resources	Multidisciplinary team established to cover all relevant aspects of the programme. Programme Team including TUPE roles which remain vacant to be recruited to. Ongoing dialogue with BCC Legal, HR and Procurement to discuss future resource support.
Key EZ project costs increase due to unforeseen rises in cost or delays	Robust assessment of business cases will ensure cost estimates are accurate. Budgets managed for wider programme to ensure projects are affordable within available resources
Projects are approved that are not compliant with the new subsidy control rules	1. Required information gathered as part of the business case process to assess subsidy eligibility/ compliance. 2. External legal resources providing professional expertise to complete subsidy assessments. 3. Internal knowledge and experience being gained in the subsidy assessment process and reporting
Delay in high profile public facing projects	High Profile projects are identified, and close monitoring is in place. High profile projects to be individually reported to EZ Programme Board and EZ Partnership Board. Monitor impact of delays on loss of business rate income versus the savings to prudential borrowing over a shorter period of time Communications Team engagement to support effective management of communications/PR.

7 Compliance Issues:

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

7.1.1 The proposals for the continuation of the programme management arrangements as set out in this report are critical to the effective operation of the EZ, which will support the City Council's key priorities as set out in the City Council Corporate Plan 2022 – 2026:

- *Support inclusive economic growth.*
- *Tackle unemployment.*
- *Attract inward investment in infrastructure.*
- *Tackle poverty and inequality.*
- *Promote and champion diversity, civic pride and culture.*
- *Support and enable all children and young people to thrive.*
- *Make the city safer.*

- *Improve street cleanliness.*
- *Improve air quality.*
- *Continue the Route to Net Zero.*

7.1.2 **Birmingham Development Plan (BDP) 2031** – The programme will help to deliver the following objectives:

- *To ensure that the City has the infrastructure in place to support its future growth and prosperity.*
- *To develop Birmingham as a City of sustainable neighbourhoods that are safe, diverse and inclusive with locally distinctive character.*
- *To provide high quality connections throughout the city and with other places including encouraging the increased use of public transport, walking and cycling.*
- *To create a more sustainable city that minimises its carbon footprint and waste and promotes brownfield regeneration while allowing the city to grow.*
- *To encourage better health and well-being through the provision of new and existing recreation, sport and leisure facilities linked to good quality public open space.*

7.1.3 **Our Future City Framework 2040 (OFC)** – The programme will help to deliver upon the aspirations set out within the OFC by creating sustainable connections to key growth areas in the city core and encouraging further investment and subsequent footfall to new and existing sites within the vicinity of Curzon Street Station.

7.1.4 **Route to Zero Commitment** - The scheme supports the additional Climate Change Commitments agreed by Cabinet on 30th July 2019 following the motion on Climate Emergency passed at the full City Council meeting of 11th June 2019, including the aspiration for the City Council to be net zero-carbon by 2030.

7.1.5 **Environment and Sustainability** - An environment and sustainability assessment is not required.

7.2 Legal Implications

7.2.1 The Local Government Finance Act 2012 supports the development of Enterprise Zones by enabling Local Authorities to borrow for capital schemes against projected growth in business rates income. The Act allows the City Council to retain 100% of business rates income from within the Enterprise Zone.

7.2.2 Section 1 Localism Act 2010 confers a general power of competence on the Council which permits the grant funding proposed in this report.

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 ringfenced to the EZ for the period to 31 March 2046. It is the EZ decision making boards 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 The City Council employs the EZ Programme Team. The costs of all EZ projects including the Prudential borrowing charges arising from capital schemes are fully financed by the revenue resources generated through the uplift in business rates within the EZ. There are some 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, manage and mitigate these risks and to ensure that the Programme is affordable over the life of the EZ.

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. 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, without a need to reduce safety margins as set out above.

7.3.4 The overall cost for the programme management levy for the next four years is £5,744,123, this represents 1.8% of the £318m forecast investment in the same four-year period. Full breakdown of the costs is shown in Table 3 below;

Table 3: Budget Profile

Expenditure	2023/24 (£)	2024/25 (£)	2025/26 (£)	2026/27 (£)	2027/28 (£)	Total (£)
Staffing Recharge	514,107	715,883	748,473	759,447	782,569	3,520,478
Staffing Recharge (Departmental Leadership)	100,000	100,000	100,000	100,000	100,000	500,000
Accountable Body Costs Recharge	100,000	100,000	100,000	100,000	100,000	500,000

Legal/Professional Advice	55,000	106,000	106,000	106,000	106,000	479,000
Technical Evaluations	100,000	150,000	150,000	150,000	150,000	700,000
Evaluations	129,530	129,530	42,590	42,590	56,250	400,490
Programme Monitoring Systems	46,310	25,639	25,639	25,639	31,815	155,042
Digital and Technology	0	0	0	12,082	12,082	24,164
Archiving Recharge	0	0	0	20	20	40
Contingency	55,007	161,983	150,571	131,733	136,084	635,378
EZ Board Costs	100	3,000	3,000	3,000	3,000	12,100
GBSLEP Programme Management Costs	180,000	0	0	0	0	180,000
Remaining EZ Approved Budget	(1,362,568)					(1,362,568)
Total	(82,514)	1,492,034	1,426,272	1,430,511	1,477,820	5,744,123

7.3.5 The EZ funding will utilise an element of the uplift in business rates income ringfenced to the EZ to deliver its development 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.

7.3.6 Where possible and in accordance with accounting regulations, costs incurred as a part of 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 approach for project management activity will be maximised over the period to reduce the short-term revenue pressure on the EZ programme.

7.3.7 The Delivery resource will be reviewed prior to this EZ funding expiring on 31 March 2028, 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.

7.3.8 Details of the change request, approved by the EZ Partnership Board along with the EZ funding offer letter are contained within appendices A and B.

7.3.9 The receipt of the GBSLEP Ltd residual funds will further contribute to the economic and business support spend within the region. Costs incurred in delivering these schemes, including provisions for any unforeseen liquidation costs and future delivery team costs (across all GBSLEP TUPE'd staff) are an eligible spend against these funds.

7.4 Procurement Implications

7.4.1 There are no procurement implications related to the recommendations in this report.

7.5 Human Resources Implications

7.5.1 In order to deliver the outcomes of the programme an organisational design review will be undertaken to ensure the correct resources are in place to meet the needs for delivery, which could result in contracts of employment being extended to the 31 March 2028 or a redesign of the service. The Directorate will work with the People Partner to undertake a review of this service to ensure the right resources are in place to achieve the outcomes required.

7.5.2 There are two employees that have TUPE transferred from the LEP on 1 July 2023. TUPE stands for Transfer of Undertakings (Protection of Employment). Both employees are on fixed term contracts until 31 March 2026. Any review of service must take this into account and ensure that any service redesign is done to protect the rights of those employees as outlined in employment legislation.

7.5.3 The People Partner will work with the service to review the organisational structure to review the vacant positions. Should resources be required to fill these posts then advice will be given to the service area by the People Partner on the best options available ensuring that all internal policies and procedures are adhered to.

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 Impact Assessment EIA000082 for the Enterprise Zone programme team - Appendix C.

8 Appendices

- Appendix A – EZ Change Request
- Appendix B - EZ Funding Offer Letter
- Appendix C – EIA000082
- Appendix D – EZ Risk Register

9 Background Documents

- Report to Cabinet 29 June 2021
- Enterprise Zone Investment Plan 2019
- Enterprise Zone Investment Plan 2022 update

**Birmingham City Council
EZ Project Change Request**

Project Name	Enterprise Zone Programme Management Levy		
Organisation	Birmingham City Council		
Date of Request	01 September 2023		
Project Manager	James Betjemann	Project SRO	Paul Kitson
Project Manager contact details	0121 303 4174 james.betjemann@birmingham.gov.uk	Project SRO contact details	Paul.kitson@birmingham.gov.uk
Project Manager signature		Project SRO signature	

Section 1: Project Progress to date

Please include a brief outline of project progress to date. (E.g. milestones achieved expenditure to date and challenges faced.)

On the 28 June 2017 the Enterprise Zone Executive Board (EZEB) approved funding the EZ Delivery Team with a maximum capped funding contribution of **£6,453,518** over period 2017/18 to 2021/22. The board paper also sought to maximise the capitalisation of salary costs, based on current BCC practice for project management activity and therefore the potential to recharge against project costs over the 5-year period to reduce the revenue pressure on the EZ financial model.

On the 16 December 2020 the GBSLEP Programme Delivery Board approved a report:

- For an additional £165,945, increasing the previously approved budget by 2.5% from £6,453,518 to £6,619,463 (as shown in Table 1);
- to reprofile and reallocate the funding previously approved by the Enterprise Zone Executive Board on 28 June 2017, to provide continuity in the management of the programme to 31 March 2024; and
- sought approval to capitalise project development and delivery costs to reduce the revenue pressure on the EZ model.

Table 1 – Approved EZ Programme Financial profile on 16th December 2020

	Previous Years (£)	2020/21 Forecast (£)	2021/22 Forecast (£)	2022/23 Forecast (£)	2023/24 Forecast (£)	Total (£)
Revenue	1,873,246	800,023	680,048	509,799	520,999	4,384,115
Capital	-	793,095	502,578	463,606	476,069	2,235,348
Total Budget	1,873,246	1,593,118	1,182,626	973,405	997,068	6,619,463

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Table 2 – EZ Project Expenditure actual spends (GBSLEP and BCC) and remaining budget to 31 March 2024 is shown below.

	Previous Years (£)	2020/21 Actual (£)	2021/22 Actual (£)	2022/23 Actual (£)	Remaining Budget 2023/24 (£)	Total (£)
Revenue	1,873,246	902,507	645,361	394,744	568,257	4,384,115
Capital		308,499	448,699	683,839	794,311	2,235,348
Total	1,873,246	1,211,006	1,094,060	1,078,583	1,362,568	6,619,463

The Enterprise Zone Programme team have been key to delivering projects and fulfilling the Council's role as Accountable Body for the EZ by managing the programme's financial model including total project spend to 31 March 2023 of **£231.4m** and has seen an uplift in business rates income of **£50.8m**. Secured and committed forecast business rates to 2045/46 now stands at **£766.2m**, with a further potential of £1,100m to be progressed from uncommitted to secured/committed.

As a result of EZ programme activity to date the following key critical outputs have been delivered as of the 31 March 2023:

- New of jobs created 10,953 jobs
- HA of land made ready for development – 30 ha
- SQM of newly created floorspace 407,746sq. m
- Private sector investment - £1.022 bn
- EZ Capital Investment - **£231.4m CC**

In delivering the programme of works in-line with the 2019 EZ Investment Plan and the 2022 EZ Investment Plan update, the team works with project sponsors to take the projects through the approval process, from concept to contract, and supports them through the delivery phase, managing any change requests that may be submitted, through to completion and final evaluation. Examples are detailed below:

- **Birmingham Smithfield** - The total funding ask is now expected to exceed the £150 million EZIP funding allocation.
- **Paradise Phase One and Two** - Total approved delivery funding £139m
- **Paradise Phase Three** - FBC EZ Investment requested £71.5m.
- **Snow Hill Public Realm** - (Delivery) EZ Capital Investment £2.9m approved.
- **HS2 Readiness** (Moor Street and One Station) In development EZ approved investment £0.27m.
- **Old Curzon Station - (Delivery)** EZ approved investment £2m.
- **Digbeth High Street Public Realm Phase One** - (Delivery) EZ approved Capital Investment £15.7m.
- **HS2 Curzon Station Enhanced Public Realm** - EZ approved Capital Investment £29.5m.
- **Southside Public Realm - (Delivery)** EZ Capital Investment £8.7m approved.
- **Former Typhoo Building Redevelopment** - EZ Investment approved Funding £14.3m.
- **EZ Regional Investment Fund (RIF)** - EZ capital committed £20.0m.
- **Martineau Galleries** - the OBC for requested Investment circa. £70m committed.
- **Digbeth Public Realm Phase 2** - (Development) EZ revenue approved £0.15m.
- **EZ Cultural Action Area** – EZ approved capital and revenue investment of £1.64m.

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- **EZ Business, Professional and Financial Sector** – (Delivery) EZ approved revenue investment £0.45m.
- **Pipeline Assessment Panel** – The programme team works with new project sponsors to assess initial project proformas to maintain a pipeline of projects.

Section 2: Change requested

Type of change requested

Check each that apply

- Project outputs/outcomes
 Project finances
 Programme/Timescales

Description of change

The EZ Delivery team has previously been allocated programme management funding to 31 March 2024 (Table 1 above).

Following the transition of the EZ and Legacy Programmes over to Birmingham City Council, including staff and consultants, it is timely to reassess programme costs to ascertain the funding requirement for a further four-years to 31 March 2028 and provide continuity in the management of the programme.

Following the transfer of the EZ and Legacy Programmes to Birmingham City Council on 1 July 2023 the Council has-

- overall strategic ownership of the Enterprise Zone Programme and for setting and approving the EZ Investment Plan. It does this by ensuring that there is clear governance, management and delivery arrangements in place;
- as the Accountable Body the Council has responsibility for the management and redistribution of the business rate growth from the Enterprise Zone, managing investments and financing of the model; and
- it is also responsible for management and responsible of projects including where funding is provided to a third party.

A Programme Management levy budget is critical to ensuring that the programme is managed and monitored efficiently and that all costs are covered to enable it to do so. Costs include staffing, Accountable body charges, digital & technology costs, management systems, legal and professional advice, independent technical project evaluations reporting, audits, and administration costs.

For costs relating to capital funded projects such as Smithfield and Paradise, the programme intends to capitalise these to reduce the revenue pressure on the model. Whilst the ask is split between capital and revenue, it should be noted that this is a forecast, and we ask that the Board note the requested budget as a total.

Spend against the current approved budget of £6,619,463 to 31 March 2023 totals £5,256,895, leaving £1,362,568 available towards the total five-year requirement of £7,106,691.

Table 3 – EZ programme costs to 31 March 2028 is shown below.

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Costs (£)	2023/24	2024/25	2025/26	2026/27	2027/28	Total
EZ Programme (Revenue)	1,079,910	1,202,180	1,211,325	1,303,845	1,326,375	6,123,634
EZ Project (Capital)	404,466	184,111	123,395	126,903	144,181	983,057
EZ Subtotal	1,484,376	1,386,291	1,334,720	1,430,748	1,470,556	7,106,691
Remaining EZ approved budget	(1,362,568)	0	0	0	0	(1,362,568)
Total EZ Budget ask	121,808	1,386,291	1,334,720	1,430,748	1,470,556	5,744,123

This report seeks approval

- of an additional £5,744,123 to increase the £6,619,463 to cover an additional four-years of programme management costs to 31 March 2028; and
- based on current BCC and EZ practice, the programme intends to continue to capitalise project development and delivery costs (i.e., non-programme costs to reduce the revenue pressure on the EZ Model.

Reason for change request	The need to manage the programme of EZ investment. Approval would provide assurance and continuity in the management of the programme and mitigate the risk of losing experience and skills necessary to deliver the EZ Programme.
Alternative options considered: with reasons why the recommended option is the most appropriate.	
Detail of stakeholder consultation regarding change request	Not applicable

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Section 3: Impact of recommended change

<p>Please provide a description of the impact of the recommended change including: Project cost, Timescales, Resourcing, Benefits, Quality, Scope</p>	<p>The impact of the change request is set out in the table below:</p>							
	<p>Annual Cost of Additional Funding Including Interest on Capitalised Costs</p>	2023/24	2024/25	2025/26	2026/27	2027/28	2028-2046 at £17,172 per annum	Total
	<p>Costs (£)</p>	513,919	1,206,407	1,228,821	1,333,772	1,367,940	309,089	5,959,947
	<p>As a result of the additional funding request of £5,744,123 and the changes to the profile, including the Revenue/Capital Split, the total cost to the EZ programme over the life of the project until 2045/46 is £5,959,947 including the Revenue cost of prudentially borrowing the Capital Element over the remaining years of the EZ programme. Following an assessment of this additional cost on the EZ model it has been determined that the change request is affordable within the latest EZ financial position.</p>							
<p>Steps required to deploy change</p>	<p>EZ Partnership Board approval 26th October 2023</p> <p>EZ Funding Offer Letter</p> <p>BCC Gateway approval (Cabinet) 14 December 2023</p>							
<p>Is there an impact on Communication planning?</p>	<p>Not applicable</p>							

Section 4: To be completed by BCC

<p>Date required for response</p>	
<p>Deed of Variation required?</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>Recommendation from BCC</p>	<input type="checkbox"/> Approved / <input type="checkbox"/> Rejected / <input type="checkbox"/> Deferred (detail:)
<p>Justification of decision</p> <p>Impact on EZ Programme/Model</p>	

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Decision date	
Does this change impact SEP / EZ objectives?	No
Does the business case need to be reviewed and updated, in light of the change?	Not applicable
Signed BCC Programme Manager/ Project Champion	
Dated	

Director Group and Capital Finance, Deputy S151
Birmingham City Council
10 Woodcock Street
Birmingham
B7 4BL
Email: alison.jarrett@birmingham.gov.uk

James Betjemann
Birmingham City Council
Place, Prosperity and Sustainability Directorate
10 Woodcock Street
Birmingham
B7 4BL

James.betjemann@birmingham.gov.uk (sent via email only)

09 November 2023

Dear James

Enterprise Zone Programme Management Levy

Following submission of your change request and approval by the EZ Partnership Board on 26 October 2023, this letter confirms that your request for Enterprise Zone funding has received approval. This letter is to confirm that approval.

As part of the approval, the Enterprise Zone Programme Management Levy has been allocated a further maximum funding contribution of up to **£5,744,123** (five million seven hundred and forty four thousand and one hundred and twenty three pounds) of Enterprise Zone (EZ) funding. This funding is to support the management costs of the programme to the to 31 March 2028. This is in addition to the previously awarded £6,619,463 (six million six hundred and nineteen thousand four hundred and sixty three pounds). The funding will be reimbursed in accordance with the BCC EZ Assurance Framework process. Place, Prosperity and Sustainability Directorate as the grant recipient.

This funding contribution is subject to the approval by the BCC Cabinet, expected to be on 16 January 2024.

Outputs

The output of this funding is the successful management of the EZ Programme over the funding period to support the following lifetime targets as per the EZ Investment Plan and summarised below.

Outcome Description	Lifetime Target to 2045/46
New Jobs Created	71,796
Land Made Ready for Development (ha)	60
Newly Created Commercial Floorspace (sqm)	1,100,000
Support Private Sector Investment (£m)	3,905
Delivery of EZ Capital Investment (£m)	984

Funding profile

The agreed maximum funding allocation for the delivery of the programme to 31 March 2028 is detailed below.

Costs (£)	2023/24	2024/25	2025/26	2026/27	2027/28	Total
EZ Programme (Revenue)	1,079,910	1,202,180	1,211,325	1,303,845	1,326,375	6,123,634
EZ Project (Capital)	404,466	184,111	123,395	126,903	144,181	983,057
EZ Subtotal	1,484,376	1,386,291	1,334,720	1,430,748	1,470,556	7,106,691
Remaining EZ approved budget	(1,362,568)	0	0	0	0	(1,362,568)
Total EZ Budget ask	121,808	1,386,291	1,334,720	1,430,748	1,470,556	5,744,123

Monitoring and reporting

From acceptance of this offer, you will be required to continue to report on progress through regular Reports to the EZ Programme and Partnership Boards.

Yours sincerely

Alison Jarrett
 Director Group and Capital Finance, Deputy S151

cc. Jane Smith, EZ Programme Manager – Place, Prosperity and Sustainability
 cc. Ian Harris, Finance Manager – Major Projects, Group & Capital Finance



EQUALITY IMPACT ASSESSMENT

EZ Programme Management Resource

Reference: EIA000082

03/01/2024

Submitted by: jane.smith@birmingham.gov.uk



 RESET

 RESHAPE

 RESTART

EIA Form – About your EIA

Reference number	EIA000082
Date Submitted	03/01/2024
What is the status of the Equality Impact Assessment (EIA) you are about to complete?	Final submission
Subject of the EIA	EZ Programme Management Resource
Brief description of the policy, service or function covered by the EIA	To agree the management resource for the Enterprise Zone Programme
Equality Assessment is in support of...	["Amended function"]
How frequently will you review impact and mitigation measures identified in this EIA?	Every two years
Due date of the first review	2026-01-30

Directorate, Division & Service Area

Which directorate(s) are responsible for this EIA?	["Places, Prosperity and Sustainability"]
Division	Planning and Development
Service area	Enterprise

Officers

What is the responsible officer's email address?	jane.smith@birmingham.gov.uk
What is the accountable officer's email address?	james.betjemann@birmingham.gov.uk

Data Sources

Data sources	["Relevant reports/strategies"]
Data source details	No additional data required as report seeks approval to continue with the management system and resource of the Enterprise Zone Programme.

Protected Characteristics
Protected Characteristic – Age

Does this proposal impact people due to their age as per the Equality Act 2010?	No
What age groups are impacted by your proposal?	



Please describe the impact to the age characteristic	
How will you mitigate against any negative impact to the age characteristic?	

Protected Characteristic – Disability

Does this proposal impact those people with a disability as per the Equality Act 2010?	No
Please describe the impact to the disability characteristic	
How will you mitigate against any negative impact to the disability characteristic?	

Protected Characteristic – Gender

Does this proposal impact citizens based on their gender as per the Equality Act 2010?	No
What genders will be impacted by this proposal?	
Please describe the impact to the gender characteristic	
How will you mitigate against any negative impact to the gender characteristic?	

Protected Characteristic - Gender Reassignment

Does this proposal impact people who are proposing to undergo, undergoing or have undergone a process to reassign one's sex as per the Equality Act 2010?	No
Please describe the impact to the gender reassignment characteristic	
How will you mitigate against any negative impact to the gender reassignment characteristic?	

Protected Characteristic - Marriage and Civil Partnership



Does this proposal impact people who are married or in a civil partnership as per the Equality Act 2010?	No
What legal marital or registered civil partnership status will be impacted by this proposal?	
Please describe the impact to the marriage and civil partnership characteristic	
How will you mitigate against any negative impact to the marriage and civil partnership characteristic?	

Protected Characteristic - Pregnancy and Maternity

Does this proposal impact people covered by the Equality Act 2010 under the protected characteristic of pregnancy and maternity?	No
Please describe the impact to the pregnancy and maternity characteristic	
How will you mitigate against any negative impact to the pregnancy and maternity characteristic?	

Protected Characteristic - Ethnicity and Race

Does this proposal impact people due to their race as per the Equality Act 2010?	No
What ethnic groups would be impacted by this proposal?	
Please describe the impact to the ethnicity and race characteristic	
How will you mitigate against any negative impact to the ethnicity and race characteristic?	



Protected Characteristic - Religion or Beliefs

Does this proposal impact people's religion or beliefs as per the Equality Act 2010?	No
What religions could be impacted by this proposal?	
Please describe the impact to the religion or beliefs characteristic	
How will you mitigate against any negative impact to the religion or beliefs characteristic?	

Protected Characteristic - Sexual Orientation

Does this proposal impact people's sexual orientation as per the Equality Act 2010?	No
What sexual orientations may be impacted by this proposal?	
Please describe the impact to the sexual orientation characteristic	
How will you mitigate against any negative impact to the sexual orientation characteristic?	

Monitoring

How will you ensure any adverse impact and mitigation measures are monitored?	No direct impact on equality as a result of this proposal. EZ impact and outputs will be collected at a programme level. In addition each project funded by the EA will be required to undertake their own EA and monitor/report on outcome achievements.
Please enter the email address for the officer responsible for monitoring impact and mitigation	jane.smith@birmingham.gov.uk



**ENTERPRISE ZONE PROGRAMME
DRAFT Risk Register**

REVIEWED: 12 December 2023

RISK GUIDE

	4 Almost Certain	Material	Severe	Severe	Severe
	3 Likely	Tolerable	Material	Severe	Severe
	2 Possible	Tolerable	Material	Material	Material
	1 Unlikely	Tolerable	Tolerable	Material	Material
		Minor	Medium	Major	Critical
		1	2	3	4
	IMPACT				

HIGH (Severe)	Issues which may critically affect service delivery. Immediate control improvement to be made to enable business goals to be met and service delivery maintained/improved
MEDIUM (Material)	Close monitoring to be carried out and cost effective control improvements sought to ensure service delivery is maintained
LOW (Tolerable)	Regular review, low cost control improvements sought if possible
Threat Response: Avoid, Reduce, Fallback, Transfer, Accept, Share	
Opportunity Response: Enhance, Exploit, Reject, Share	

Proximity	
5	Risk event potentially in the next month
4	Risk event potentially in the next quarter
3	Risk event potentially in the next 6 months
2	Risk event potentially in the next 12 months
1	Risk event is over 12 months away

Risk ID	Proximity	Detailed Description	Impact	Probability	Score	Owner	Risk Response and Mitigation Measure	Residual Risk			Action by
								Impact	Probability	Score	
Risks associated with the delivery of the Enterprise Zone Programme											
01	2	Underachieving on potential business rates income.	3	3	High	BCC	<p>Threat Response: Reduce</p> <p>Collaboration with BCC Planning officers and business rates team to enable effective monitoring of development on EZ sites and their hereditaments to ensure the forecasts for business rates income are accurate and up to date.</p> <p>The team will continue to review the financial model to consider the level of contingencies required to cover the shortfall and identify where activity / spend can be slipped.</p> <p>High level risks associated with the management of EZ resources have been identified, and modelled out through sensitivity testing including: 15% of business rates income is ring fenced on an annual basis for uncertainties with the release of contingency kept under review on an annual basis; 13% of gross business rates income is ring fenced to account for circumstances such as bad debts, appeals, rate relief and future rate rises; 5% of gross business rate income is ring fenced to mitigate a potential loss of Business Rates income, during Valuation Office Rate Reviews, is incorporated into the EZ model.</p> <p>The introduction of 12 month lead-in times for the receipt of business rates from completed developments.</p> <p>The Programme team resourced a report on the impact of COVID-19 on the office market which summarised new scenarios which were tested on the EZ financial model to reflect the COVID-19 impact. This resulted in only minor changes to the EZ Model and overall it was a positive report.</p>	3	2	Med	Finance / EZ Team.

02	2	Business Rates relief and appeals exceed the provision provided for, impacting on the total collectable rate	3	2	Med	BCC	Threat Response: Reduce Managed through Financial Reporting System and contingency allowance. The new Financial Principles have been reviewed and revised with contingencies increased, resulting in a robust prudent position.	3	1	Med	Finance / EZ Team.
03	2	Insufficient Capital Headroom in the EZ Financial Model to deliver EZIP projects	3	3	Med	BCC	Threat Response: Avoid Continued monitoring of the EZ Investment Plan. Ongoing monitoring of EZ financial model and reporting against the forecasts. Reported quarterly to EZ Programme Board and EZ Partnership Board. Regular meetings with finance to discuss forecasting and impact of major projects. Management of Enterprise Zone Model activity.	3	2	Med	Finance / EZ Team.
04	1	Underachieving on Economic Growth	2	2	Med	BCC	Threat Response: Avoid Continued monitoring of the EZ Investment Plan. Collaboration with BCC Planning officers and business rates team to enable effective monitoring of development on EZ sites and their hereditaments to ensure the forecasts for business rates income are accurate and up to date. Regular meetings with finance to discuss impact of actual business rates outturn and affordability of projects. Management of Enterprise Zone Model activity.	2	2	Med	Finance / EZ Team.
05	1	Underachieving on Programme Lifetime Targets	2	2	Med	BCC	Threat Response: Avoid Continued monitoring of projects. Monitoring of businesses in receipt of EZ business rates relief. Capture of activity on EZ sites. Management of Enterprise Zone Model activity.	2	2	Med	Finance / EZ Team.
06	3	Lack of Resources	3	3	High	BCC	Threat Response: Avoid Multidisciplinary team established to cover all relevant aspects of the programme. Exploration of consultancy frameworks to support Programme Team with external professional expertise such as independent technical evaluations, subsidy control assessments and major projects. BCC Client Role budgets to be identified within Project costs. Programme Team TUPE roles to be recruited to. On-going dialogue with BCC Legal and Procurement to discuss future resource support. EZ Programme management to maintain oversight and ensure there is no single point of failure.	3	2	Med	Finance / EZ Team.
07	1	Development fails to materialise in accordance with projections which are vulnerable to wider fluctuations in the economy.	3	3	High	BCC	Threat Response: Avoid Investment Plan has categorised the business rates growth and a more rigorous management approach has been implemented to align investment decisions with revenue projections. Investment programme financial profile reflects security of revenue income. 15% safety margin also applied to annual EZ income.	2	2	Med	Finance / EZ Team.
08	1	Short term Treasury rates increase beyond those forecast by Treasury	3	3	High	BCC	Threat Response: Avoid The City Council applies its treasury management rates to prudential borrowing including the latest projections for future years. On the basis of market knowledge/advice from the money markets, these are adjusted as necessary to provide for the most realistic borrowing rates.	3	1	Med	Finance / EZ Team.

09	2	Interest from businesses in the EZ does not materialise.	3	2	Med	BCC	Threat Response: Avoid 1. Implementation of marketing/promotions in line with resources identified in Investment Plan. 2. BCC commissioned commercial property agency to scenario test the commercial market and potential impacts on business rates.	3	2	Med	Finance / EZ Team.
10	1	Impact of BRI rating revaluation in 2026 reduces income given the broader economy and property market	3	2	Med	BCC	Threat Response: Avoid 5% of gross business rates income allocated within the model to mitigate against reduction in business rates received per rates revaluation review.	3	2	Med	Finance / EZ Team.
11	3	Key EZ project costs increase due to unforeseen rises in cost or delays	3	3	High	BCC	Threat Response: Reduce Robust assessment of business cases will ensure cost estimates are accurate. Budgets managed for wider programme to ensure projects are affordable within available resources	3	2	Med	Finance / EZ Team.
12	3	Projects are approved that are not compliant with the new subsidy control rules.	3	3	High	BCC	Threat Response: Avoid 1. Required information gathered as part of the business case process to assess subsidy eligibility/ compliance. 2. External legal resources providing professional expertise to complete subsidy assessments. 3. Internal knowledge and experience being gained in the subsidy assessment process and reporting	3	2	Med	Finance / EZ Team.
13	3	Delay in high profile public facing projects	3	3	High	BCC	Threat Response: Reduce High Profile projects are identified and close monitoring is in place. High profile projects to be individually reported to EZ Programme Board and EZ Partnership Board. Monitor impact of delays on loss of business rate income versus the savings to prudential borrowing over a shorter period of time Comms Team engagement to support effective management of comms/PR.	3	3	High	Finance / EZ Team.
14	5	Delay in completion of HS2	3	3	High	BCC	Threat Response: Reduce Regular high-level liaison between HS2 and BCC Monitoring and reporting on key projects dependent on HS2, such as Curzon Station Public Realm and Tram Stop	3	3	High	Finance / EZ Team.
15	4	Incorrect Reporting of EZ Financials	2	3	Med	BCC	Threat Response: Avoid EZ Financial model has been revised to mitigate any avoidable errors and is controlled by the Accountable Body Finance Manager. EZ Model is reviewed regularly and reported to the BCC Capital Board, EZ Programme Board and EZ Partnership Board on at least a quarterly basis. EZ Financials to be reconciled once current BCC Oracle Issues resolved	2	2	Med	Finance / EZ Team.
16	5	Delay in decisions and approvals due to S114 (3) Notice	3	3	High	BCC	Threat Response: Manage Work with Deputy S151 Officer to clarify governance and decision making for the EZ Programme within or outside of the S114 (3) spend controls.	3	3	High	Finance / EZ Team.

17	3	Inability to bring forward new projects approved for the Project Pipeline	3	2	Med	BCC	<p>Threat Response: Accept</p> <p>Increase transparency and scrutiny of the EZ model. Demonstrate value of non-business rates income generated projects.</p>	3	2	Med	Finance / EZ Team.
18	4	Political implications around the inability to fund the Regional Investment Fund as per the current financial profile.	2	3	Med	BCC	<p>Threat Response: Reduce</p> <p>Work with Deputy S151 Officer to review the EZ Financial Model and Profile.</p>	2	2	Med	Finance / EZ Team.
19	4	Inability to fund Investment Plan due to insufficient headroom in capital after payment to BCC General Fund	2	3	Med	BCC	<p>Threat Response: Reduce</p> <p>Work with Deputy S151 Officer to review the EZ Financial Model and Profile.</p>	2	2	Med	Finance / EZ Team.