

# Birmingham City Council

## Report to Cabinet

14 May 2024



**Subject:** Enterprise Zone Governance Framework  
**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 Katherine Iroh, 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: 012554/2024		
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 Established in 2011 the Birmingham City Centre Enterprise Zone covers 113ha over 39 sites across the City Centre and forecasts business rates income growth of £2 billion by 31 March 2046, when the programme comes to an end. Enterprise Zone investment of £1 billion will unlock and accelerate delivery of 1.1m sqm of new commercial floorspace and generate in excess of £2.1bn of additional business rates income.

- 1.2 The Enterprise Zone (EZ) provides a mechanism to accelerate development and maximise growth. By utilising the uplift in business rates generated by development in the EZ and investing it in priority schemes the EZ is a unique tool to drive economic success. The programme will unlock the major growth opportunities by removing barriers to development, creating a supportive environment for sustainability, investment and good place-making, job creation and growing the city and regional economy. It will be supported by a set of financial principles by which investment decisions to allocate EZ resources are made and robust governance arrangements to oversee the programme. The key areas for investment will be strategic site investment; infrastructure; and business support.
- 1.3 To prepare for the transition of EZ and Legacy programmes from the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) to Birmingham City Council, on 1 July 2023, an Assurance Framework was structured to ensure the governance of the EZ remains separate from the Council's wider delivery role and that there are clearly defined roles and responsibilities for officers and Board members.
- 1.4 On 27 June 2023 Cabinet approved the Assurance Framework as included as part of the 'Integration of Greater Birmingham and Solihull Local Enterprise Partnership Services to Birmingham City Council' Report.
- 1.5 Since the programmes transferred on 1 July 2023, the BCC programme management team has now had time to embed the working practices and procedures as detailed in the Framework and have reviewed the policies and procedures to consider how they may be further strengthened.
- 1.6 The Programme team have consulted with the EZ Partnership Board at a special workshop to discuss in-depth the Governance Framework on 1 February 2024, and recommendations from the workshop have been integrated into the Framework Documents.
- 1.7 Cabinet are asked, in its role as accountable body, to approve the changes as summarised in Table 1.

## **2 Recommendations**

That Cabinet:

- 2.1 Approves, the Enterprise Zone EZ Assurance Framework (Appendix A), which sets out the detailed governance arrangements for the EZ.
- 2.2 Delegates authority to the s151 Officer or delegate to review and approve further updates to the EZ Assurance Framework, including the Financial Principles, to take such actions as are necessary.
- 2.3 Authorises the Interim City Solicitor and Monitoring Officer (or their delegate) to negotiate, execute and seal and complete all necessary agreements and documentation to give effect to the above recommendations.

### **3 Background**

- 3.1 To prepare for the transfer of the EZ and Legacy Programmes from GBSLEP to BCC on 1 July 2023, the programme team drafted an EZ Assurance Framework defining roles and responsibilities for officers and Board members and the governance process for investment and management of funding. This Assurance Framework was largely based on the one which was approved and in place for GBSLEP. The EZ Assurance Framework was approved by BCC Cabinet on 27 June 2023.
- 3.2 The purpose of the Assurance Framework is to set out the governance management and monitoring arrangements of the EZ Programme. This includes the financial management of the Programme and decision making to ensure affordability during the lifetime of the EZ, through an agreed set of financial principles. The principles set out an acceptable level of borrowing to meet financial commitments. It also sets out the level of contingencies and reserves required to be able to respond to risks and opportunities.
- 3.3 The Framework provides assurance on the governance of management of and investing EZ funding. Documents outline the levels of Governance, Transparent Decision Making, Accountable Decision Making, Ensuring Value for Money, and Financial Risk Management. The Framework includes 6 appendices detailing; EZ Partnership Board Terms of Reference, EZ Programme Board Terms of Reference, EZ Oversight Board Terms of Reference, EZ Project Assessment Panel Terms of Reference, EZ Financial Principles and EZ Change Policy.
- 3.4 The framework has been structured to ensure the governance of the EZ remains separate from the Council's wider delivery role and there are clearly defined roles and responsibilities for officers and Board members.
- 3.5 This Assurance Framework has been created primarily for the purpose of delivering the Enterprise Zone programme, however, it's also recognised that a number of legacy funding programmes are transferring from the GBSLEP, and whilst most projects are complete its important to have a structure for ongoing monitoring and administration. The structures and process within the Assurance Framework will also apply to these legacy programmes as required.
- 3.6 Since the programmes transferred on 1 July 2023, the BCC programme management team has now had time to embed the working practices and procedures as detailed in the Framework.
- 3.7 The BCC EZ team have reviewed the policies and procedures to consider how they may be further strengthened and consulted with the EZ Partnership Board at their meeting on the 7 December 2023. The Board welcomed an annual workshop specifically to talk through the principles of the Assurance Framework documents.
- 3.8 On the 1 February 2024 the team met with BCC Finance and the EZ Partnership Board members at a specially agreed workshop to discuss in further detail and following the feedback have updated the Governance documents further.

3.9 Outlined in Table 1 below is a summary of all changes proposed since the Framework was approved by Cabinet on 27 June 2023.

**Table 1: Summary of Changes**

Key Document	Summary of Change
EZ Assurance Framework	<p><u>Added</u> <i>'Deputies can attend on behalf of the representatives where necessary but must be empowered to take decisions by the relevant Authority.'</i></p> <p><u>Added</u> <i>'5.1.9 Financial Claims Process Once a project has a signed funding agreement in place, the Project Manager can submit financial claims along with supporting evidence as outlined in that agreement, to their nominated EZ Programme Champion.'</i></p> <ul style="list-style-type: none"> <li>○ <i>The Programme Champion will check submitted information to ensure that expenditure has been incurred in line with the project funding agreement;</i></li> <li>○ <i>Once the Programme Champion has approved the claim, the EZ Programme Manager will carry out a second independent check; and</i></li> <li>○ <i>Once the EZ Programme Manager has approved the claim, he/she will send it to the EZ Programme Finance Team to check and authorise payment.</i> <ul style="list-style-type: none"> <li>a. <i>Where the grant recipient is Birmingham City Council, Finance will arrange for an internal transfer to the project's financial code to offset EZ project costs, and</i></li> <li>b. <i>Where the grant recipient is a third party, costs will be reimbursed to the organisation'.</i></li> </ul> </li> </ul> <p><u>Amended</u> 5,7 <i>'BCC Client Role wording- To enable the Council to support projects being delivered by third party organisations, using EZ funding it may apply an agreed and reasonable percentage on top of the EZ grant to cover all BCC project related costs. To ensure transparency all applications and related board papers must detail the BCC Client Role budget.'</i></p> <p><u>Added</u> <i>table outlining measures of proximity of risks to the Risk Register. Proximity being the potential likelihood and impact of a risk crystallising, and when if no controls are in place.'</i></p>
EZ Partnership Board Terms of Reference	<p><u>Amended</u> <i>Scope - Decisions, within the agreed EZPSB delegation* level, as per the Assurance Framework, should be in the best interests of the EZ Investment Programme, follow the principles of HM Treasury Guidance as well as accepted best practice to ensure value for money is achieved. This also includes a commitment to include clawback or repayment of grant wherever possible in order to recycle funds. Decisions should also be in accordance with the EZ Assurance Framework, recognising the position of Birmingham City Council as the accountable body.'</i></p> <p><u>Amended</u> <i>to include reference to Grants in addition to Loans.</i></p> <p><u>Added</u> <i>to Private Sector Board Members: When positions become vacant, they will be openly advertised with candidates invited to compliment and strengthen the Board expertise and knowledge.'</i></p>

	<p><u>Added</u> under Decision Making; Where quorate decisions cannot be made at a meeting, or if an urgent decision is required outside of the Board meeting dates, these can be undertaken using Written Procedure. This will be by exception and advance notice will be given of such requirement where possible. This will be carried out by sending an email to those members unable to attend the EZ Partnership Board or for where urgent decisions are required outside of the Board meetings to all members giving a synopsis of the decision, asking for any comments and requesting their response to indicate whether they approve it or not, usually within 5 working days. Members who have not responded by this date will be deemed as having approved any such decisions. Such decisions will be reported at the next available meeting of the EZ Partnership Board.</p> <p><u>Added</u> to Roles and Responsibilities – ‘<i>Annually review and approve the EZ Financial Principles</i>’</p> <p><u>Amended</u> ‘Requests for EZ funding are subject to <i>affordability...</i>’</p>
EZ Programme Board Terms of Reference	<p><u>Added</u> to Board Membership ‘<i>Deputies can attend on behalf of representatives where necessary but must be empowered to take decisions by the relevant Authority</i>’.</p> <p><u>Added</u> to Decision Making - Where quorate decisions cannot be made at a meeting, or if an urgent decision is required outside of the Board meeting dates, these can be undertaken using Written Procedure. This will be by exception and advance notice will be given of such requirement where possible. <i>This will be carried out by sending an email to those members unable to attend the EZ Programme Board or for where urgent decisions are required outside of the Board meetings</i> to all members giving a synopsis of the decision, asking for any comments and requesting their response to indicate whether they approve it or not, usually within 5 working days. Members who have not responded by this date will be deemed as having approved any such decisions</p>
EZ Oversight Board Terms of Reference	<p><u>Amended</u> to the Terms of Reference for this Board is under review. It has been agreed by the EZ Partnership Board in order to ensure efforts in providing the best level of service to support it with providing a further level of accountability when investing public funds, that the remit of the Oversight Board is considered alongside other complimentary and strategically important programmes. These programmes may include the West Midlands Investment Zone, and/or the East Birmingham and North Solihull Levelling Up Zone.</p>
EZ Financials Principles	<p><u>Added</u> Financial Principle (FP) 1. (See Appendix A)</p> <p><u>Amended</u> FP3. (See Appendix A)</p> <p><u>As a result of adding FP1, subsequent FP’s have been renumbered (See Appendix A).</u></p>
EZ Change Policy	<p><u>Added</u> under the Policy’s purpose; 6. For the avoidance of doubt, where EZ funds/funding is reference, this also covers Legacy funds.</p> <p><u>Added to Appendix A – Scheme of Delegation</u> Type of Project Variation: <i>Grant Recipient</i></p>

	<p>Scale of Variation: <i>Transfer of funding agreement from one grant recipient to another</i></p> <p>Action Required: <i>Submit Change Request</i></p> <p>Decision Maker: <i>EZ Partnership Board</i></p>
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3.10 The EZ Assurance Framework, including all documents, will continue to be reviewed annually to ensure continued improvement.

#### **4 Options considered and Recommended Proposal**

4.1 Option 1 (Do Nothing) – The Assurance Framework is required to provide an outlined level of Governance, providing assurance for Programme decisions. To remove the framework would not be a viable option.

4.2 Option 2 (Do Less) – As areas of the framework have been identified as requiring further work, to do less would place the Governance in a weakened position and ultimately impact the Council’s risk in its role as Accountable Body. Do less is not a viable option.

4.3 Option 3 (Preferred Option) – To continue to review the EZ Assurance Framework and to improve the practice governed within, for the Enterprise Zone investment. This is the preferred option.

#### **5 Consultation**

5.1 The Enterprise Zone Partnership Board, a cross-partner board with an independent chair, BCC Finance and the EZ Programme Management team attended a special workshop to discuss EZ Assurance Framework on 1 February 2024.

5.2 Feedback from all parties attended have resulted in agreed improvements to strengthen the Assurance Framework further.

5.3 The Enterprise Zone Programme Board reviewed the changes, via written procedure and approved on 23 November 2023 to proceed to EZ Partnership Board and Cabinet.

5.4 The Enterprise Zone Partnership Board reviewed the updated Framework and documents and signed off changes, at their meeting on the 21 February 2024.

#### **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.

6.2 The Workshop held on 1 February 2024 walked through the Assurance Framework documents, including the Risk Register. The group, including Private Sector EZ Partnership Board members and BCC Finance, considered the methodology used to measure programme risks and how the information is best used. One of the actions from the workshop was to provide a value for each of the risks on the register. The updated and extensive EZ Risk Register is attached – Appendix C.

**Table 2: Risks and Mitigations**

<b>Risk</b>	<b>Mitigation</b>
Development fails to materialise in accordance with the projections	Investment Plan has categorised the business rates growth and a more rigorous management approach has been implemented to align investment decisions with revenue projections.
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 those forecast by Treasury	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 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, however due to being unable to recruit experienced staff to fill the current vacancies. The impact on staff in other areas of the Council due to service reductions, will provide an opportunity to mitigate the risk.
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 comms/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.

7.1.6 The Council's Social Value Policy, Living Wage Policy and Birmingham Business Charter for Social Responsibility will be applied in accordance with the Council's governance.

## 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 The Enterprise Zone Programme is underpinned by a set of Financial Principles. These have been added to/amended as set out in table 1 of section 3 and are included as part of the attached appendix A.

## 7.4 Procurement Implications

7.4.1 There are no procurement implications related to the recommendations in this report. Any projects with procurement implications arising from the Enterprise Zone EZ Assurance Framework will be covered in separate reports and follow the Council's Procurement and Contract Governance Rules and the Public Contract Regulations 2015 or the Procurement Act 2023 where applicable.

## 7.5 Human Resources Implications

7.5.1 There are no human resource implications related to the recommendations in this report.

## 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 EIA000411 for the Enterprise Zone programme team - Appendix B.

## **8 Appendices**

### **8.1**

- Appendix A – EZ Assurance Framework and appended papers
- Appendix B – Equality Impact Assessment EIA000411
- Appendix C – EZ Risk Register

## **9 Background Documents**

- Report to Cabinet 27 June 2023, Integration of Greater Birmingham and Solihull Local Enterprise Partnership services to Birmingham City Council
- Enterprise Zone Investment Plan 2019
- Enterprise Zone Investment Plan 2022 update